The Investor Agenda is a collaborative initiative to accelerate and scale up the investor actions that are critical to tackling climate change and achieving the goals of the Paris Agreement with the aim of keeping average global temperature rise to no more than 1.5-degrees Celsius. It provides institutional investors with a set of actions that they can take in four key focus areas: Investment, Corporate Engagement, Investor Disclosure and Policy Advocacy.

Asia Investor Group on Climate Change
The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low-carbon investing.

CDP
CDP is a global non-profit that drives companies and governments to reduce their greenhouse gas (GHG) emissions, safeguard water resources and protect forests. To achieve this, CDP leverages investor power to motivate companies to disclose and manage their environmental impacts.

Ceres
Ceres is a sustainability non-profit organization working with the most influential investors and companies in North America to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world’s biggest sustainability challenges, including climate change, water scarcity and pollution, and inequitable workplaces.

Investor Group on Climate Change
The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors and advisors, managing over $2 trillion in assets under management and focusing on the impact that climate change has on the financial value of investments. IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change.

Institutional Investors Group on Climate Change
The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low-carbon future. IIGCC has more than 180 members, mainly pension funds and asset managers across 13 countries, with over $26 trillion assets under management (AUM).

Principles for Responsible Investment
The Principles for Responsible Investment (PRI) works with its international network of institutional investor signatories to put the six Principles for Responsible Investment into practice. Its goal is to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and stewardship decisions.

United Nations Environment Programme Finance Initiative
UN Environment Finance Initiative (UNEP FI) is a partnership between UN Environment and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 250 financial institutions, including banks, insurers, and investors, work with UN Environment to understand today’s environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them.

This report is made possible by a grant from the ClimateWorks Foundation, a Founding Sponsor of The Investor Agenda. For more information, visit www.ClimateWorks.org.
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INTRODUCTION

The Investor Agenda has been developed for investors to accelerate and scale up the actions that are critical to tackling climate change and achieving the goals of the Paris Agreement, with the aim of keeping average global temperature rise to no more than 1.5-degrees Celsius. It provides investors with a set of actions that they can take in four key focus areas: Investment, Corporate Engagement, Investor Disclosure and Policy Advocacy.

The Investor Agenda is not an organization, rather it is a collaborative initiative that seeks to speed the transition to a low-carbon economy. This includes elevating the profile of existing investor actions and initiatives on climate change, and amplifying investor voices calling for government implementation of the Paris Agreement. It enables policymakers, businesses and other stakeholders to track the breadth and depth of investor commitment to action on climate-related risks and opportunities.

It has been developed by seven Founding Partners: Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment and UNEP Finance Initiative.

The 2019 Annual Progress Report showcases investor action on climate change, highlights efforts to scale up investor action and profiles case studies of action in each of the focus areas. To date, nearly 1,200 investors have taken action in one or more of the focus areas of The Investor Agenda since its launch in September 2018. The case studies in this report aim to inspire accelerated action and bolder commitments from investors in all four focus areas.

VISIT WWW.THEINVESTORAGENDA.ORG FOR MORE INFORMATION.
"Investors across Asia are stepping up their response to climate change and increasingly aligning their investment with the goals of the Paris Agreement. As this report highlights, The Investor Agenda has a pivotal role to play as a platform for supporting investors to lead ambition and catalyze sustainable investment, while promoting engagement across all regions and jurisdictions."

"The Investor Agenda provides an unprecedented global forum for investors to accelerate action on climate change and drive transformation of capital markets to deliver a 1.5-degrees Celsius economy. With that imperative, and COP25 and Paris +5 on the horizon, this report provides invaluable guidance to investors on how to play their part in meeting the commitments of the Paris Agreement."

"The global reach and potential impact of The Investor Agenda and the global collaboration of the seven organizations are quite extraordinary. With the immense power and influence that investors hold in our global economy, they have a tremendous opportunity and responsibility to act at the urgent pace and scale required to keep average global temperature rise to no more than 1.5-degrees Celsius."

"By working with our peers globally and across the regions, we can scale up ambition and action to tackle climate change and deliver on the promise of the Paris Agreement. Collaboration is the key to success, and investors must play our part. The Investor Agenda is the platform we need to drive real investor action at this crucial point in time."

"As is shown in this report, investors are continually stepping up their climate action in terms of company engagement, public disclosure, investment and policy advocacy. But the urgency surrounding the need to implement the Paris Agreement has never been greater. As we approach COP25 and key milestones in 2020 to close the ambition gap that we currently face, investors are standing ready to work with other leaders from across government, business and civil society to make the Paris goals a reality."

"Ambition and meaningful action from governments, business and the financial sector is imperative to curb the current trajectory of global warming. These groups must act now to curb the climate emergency the world is facing by reaching the goals of the Paris Agreement to realize 1.5-degrees Celsius. The Investor Agenda has a critical role to play in compelling investors to act and bring about lasting change around climate, and the PRI is proud to be a part of the Agenda."

"There is a growing urgency for investors and corporations to act on climate change goals. As of today, temperatures have risen 1-degree Celsius above pre-industrial levels. To keep the rise to within 1.5-degrees Celsius globally, leadership from within the investor community will be key. The Investor Agenda is one critical platform in supporting investors in their individual actions."
To achieve the goals of the Paris Agreement and limit global temperature rise to no more than 1.5-degrees Celsius above pre-industrial levels, it is necessary to significantly increase the level of new investment in low-carbon technologies and energy efficiency, and to reduce investments in high-emitting sectors and activities, including the extraction and use of fossil fuels. The use of coal should be reduced to almost nothing by 2050, according to the IPCC.

The Investor Agenda encourages investors to make low-carbon investments and commitments including phasing out investments in thermal coal—a major contributor to global GHG emissions. Investors should also integrate climate change into their long-term investment decision-making process and portfolio analysis. One way to do this is by setting a climate target, defined as an active metric against which investors can measure the reduction of emissions with the goal of effectively managing climate-related risks and opportunities.

**INVESTMENT**

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*DivestInvest, a Supporting Partner of The Investor Agenda, tracks the number of investors worldwide that have divested or committed to divest from coal and/or other fossil fuel companies.*

As of September 2019, over 260 investors are taking action in line with one or more actions in the Investment focus area of The Investor Agenda. Investors who work with The Investor Agenda have demonstrated a clear commitment to one or more of the following: scaling up low-carbon investments, phasing out thermal coal investments and/or integrating climate change into portfolio analysis and decision making.

*Source: Bloomberg New Energy Finance*
New York State Common Retirement Fund

CASE STUDY: Investment

The New York State Common Retirement Fund, under the leadership of State Comptroller Thomas P. DiNapoli as Trustee, has been a leader among US pension funds in taking actions to address climate change as an investment risk and opportunity. The fund is currently the third largest US public pension fund, with $210 billion AUM, and serves more than 1.1 million state and local government employees and retirees.

In June 2019, the fund adopted its Climate Action Plan, increasing its level of commitment and ambition in addressing climate-related risks and opportunities. Building on more than a decade of prior actions and commitments, including leadership in climate-related corporate engagements, shareholder proposals, low-carbon investing strategies and policy advocacy, the Plan builds on the recommendations of the six-member Decarbonization Advisory Panel.

The Climate Plan is noteworthy in that it represents the first climate action plan incorporating all four elements of The Investor Agenda to be adopted by a US public pension fund. It also establishes the largest allocation of any US fund for sustainable investments including climate solutions. And finally, it will establish minimum standards for investing, holding or divesting stocks of companies in high-impact sectors following engagement, beginning with thermal coal companies.

- **Increasing the Fund’s Commitment to Sustainable Investments**, including climate solutions, from $10 billion to $20 billion over the next ten years. Prior allocations included a $4 billion commitment to a low-carbon index fund and $6 billion to various other sustainable investments.

- **Actively Assessing Climate Risks Across the Fund**, focused on high-impact sectors, starting with thermal coal, and engaging consultants and data providers to assist in this effort, which will include annual carbon footprints of the fund’s public equity and fixed income portfolios.

- **Developing Industry-Specific Minimum Standards for Investment** decisions and engagement prioritization in high-impact sectors, focusing on companies’ transition readiness for the low-carbon economy.

- **Hiring Dedicated ESG Staff** to engage with managers, conduct risk assessments and lead the new sustainable investment/climate solutions program to facilitate increased investments in this space.

- **Enhancing the Fund’s ESG Risk Assessments** to further integrate climate risk assessments into the fund’s investment process.

- **Communicating to Asset Managers the Fund’s Plan** and asking them to explain their policies, strategies and practices in addressing climate risks and opportunities.

- **Adopting a Detailed Set of Climate Beliefs**, including that the physical impacts of climate change will impact investments—not just in the long-term, but also the near- and medium-terms.

- **Developing a Prioritized Climate-Focused Corporate Engagement Program** using transition readiness and resilience metrics, including criteria for terminating engagement and underweighting or divesting the stock if the company does not respond satisfactorily.
PKA (Pensionskassernes Administration, or Pension Funds Administration) has delivered approximately 10% annualized returns in its climate-related investment portfolio since inception. The fund will soon devote 10% of its $43 billion in total investments to directly support the transition to a low-carbon economy. That share is ten times greater than the 1% target that Christiana Figueres, former executive secretary of the UN Framework Convention on Climate Change, has urged all institutional investors to adopt.

The Danish fund had already invested $3.2 billion in climate-related projects, mainly in Europe, to support the low-carbon transition and contribute to the goals of the Paris Agreement.

Examples of PKA’s climate-oriented commitments include a $113 million joint investment with PenSam in Longroad Energy’s Texas wind farm project, as well as acquiring a 49% stake in two solar projects developed by Canadian Solar, one of the world’s largest solar power companies, for $304 million.

PKA oversees investments on behalf of 320,000 Danish health care professionals, social workers, registered nurses and pharmacists. Women account for 90% of PKA’s members.

The Danish pension fund also makes other socially responsible investments. It has been helping to finance microlending initiatives in economically developing countries for nearly a decade. Investments made by PKA in funds such as Maj Invest, an underwriter of microfinance institutions, support financial inclusion and climate resilience for underserved people striving to become small-scale entrepreneurs.

As of 2017, PKA had invested approximately $105 million in microfinance funds in 17 developing countries. These institutions have in turn made small loans to 6.4 million low-income borrowers—mostly women—in Africa, Asia and Latin America, thus promoting greater economic and environmental security in vulnerable communities. PKA reports that its experience with microfinancial investments has been entirely positive and it is encouraging other pension funds to follow its lead. That may not be too difficult—PKA has reported 20% annualized returns on its microfinance investments in emerging markets since 2012.

The Danish fund is one of over 180 members of the IIGCC which works to mobilize capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policymakers and fellow investors. PKA’s CEO, Peter Damgaard Jensen, also acts as chair of IIGCC’s board. In early 2019, PKA and a handful of other leading European funds joined a new IIGCC initiative that aims to explore how investors can align their portfolios to the goals of the Paris Agreement.

"Making an effort to reduce climate change is a common ambition for pension funds and asset owners all over the world. However, our approaches vary. By sharing our knowledge and different experiences, we can make it significantly easier for all pension funds and asset owners to make use of the most feasible approaches and thereby align our investments with the ambitions of the Paris Agreement."

PETER DAMGAARD JENSEN
CEO, PKA
The investment management arm of one of Europe’s largest financial institutions has long been a leader in sustainable investment, and is now demonstrating clear action in line with the four focus areas of The Investor Agenda. In 2015, BNP Paribas Asset Management (BNPP AM) committed to align its investments with the Paris Agreement, and in 2019, launched an ambitious Global Sustainability Strategy and bolstered its global Sustainability Centre, now 25 people strong.

BNPP AM manages close to $473 billion in assets and its new Global Sustainability Strategy has committed that all of its investments will formally integrate environmental, social and governance (ESG) considerations by 2020. In September 2019, the company announced that its full target range—representing $57.2 billion AUM—had achieved ESG Validation status. BNPP AM conducts analyses on the ESG performance of more than 15,000 companies, using third party research to support this work.

BNPP AM has formal Responsible Business Conduct expectations and measures investee performance against the ten principles of the UN Global Compact, specifically with regards to human rights, environmental protection and fighting corruption. BNPP AM also has a series of sector policies that set out conditions for investing in (e.g. palm oil) or excluding (e.g. tobacco) particular sectors based on its belief that a sustainable economic future relies on sustainable investment practices.

In January 2020, BNPP AM will introduce an enhanced coal policy as part of its commitment to align its portfolio with the goals of the Paris Agreement, which aim to keep the average global temperature from rising by no more than 1.5-degrees Celsius. BNPP AM will divest from companies that derive more than 10% of their revenue from coal mining, as well as coal power generators whose carbon intensity is above the 2017 global average of 491gCO2/kWh. The asset manager will subsequently follow the Paris-compliant trajectory as determined by the International Energy Agency in its Sustainable Development Scenario.

BNPP AM’s range of thematic funds ($8.5 billion in AUM as of 31 December 2018) is focused on areas such as the energy transition, green bonds, water, human development, food, and climate change. These funds enable investors to tap into specific trends or increase portfolio exposure to particular areas of the UN Sustainable Development Goals (SDGs).

A crucial part of BNPP AM’s success in this arena lies in its ability to engage corporations early and often with the aim of steering high-emitting companies toward a sustainable future. BNPP AM is an active member of the Climate Action 100+ initiative, leading engagements in Europe and Asia. The asset manager also plays a leading role in Climate Action 100+’s climate lobbying initiative, addressing corporate lobbying activities that hinder effective mitigation efforts in both Europe and the US.

The firm aligns its voting activity with its expectations for climate-related disclosures. For example, it uses CDP disclosure data to annually screen 7,000 companies and determine which do not report Scope 1 and Scope 2 emissions, which can in turn influence the asset manager’s voting activity.

In September 2019, BNPP AM co-convened (with the PRI), the world’s first investment conference focused on global policy reform in support of a more sustainable financial system. The company was one of the first asset managers to publish its public policy stewardship strategy, outlining its advocacy priorities for advancing sustainable finance. It has also been a long-standing signatory to the annual Global Investor Statement to Governments on Climate Change.

"Long-term investors must rise to the occasion as ‘future makers’ and use the leverage of our investments to push for effective climate mitigation and SDG implementation, Engagement is more effective than exclusion—although divestment can be a last resort.”

JANE AMBACHTSHEER
Global Head of Sustainability, BNP Paribas Asset Management
To achieve the goals of the Paris Agreement and limit global temperature rise to no more than 1.5-degrees Celsius above pre-industrial levels, new investment in clean and renewable energy opportunities and new low carbon technologies must increase dramatically over a vanishing timeline.

As the IPCC report detailed, the next decade is critical for addressing climate change, and sustainable infrastructure is a key part of that equation. Concurrently, the global transition to sustainable infrastructure could bring economic gains of $26 trillion during that time period, as detailed in the 2018 Report of the Global Commission on the Economy and Climate.

Innovative approaches to unlocking this trillion-dollar opportunity for resource-efficient infrastructure have emerged. The founding of Generate Capital, a diversified infrastructure company, is one such example. Since its launch in December 2014, Generate has successfully pioneered a unique model the company calls “Infrastructure-as-a-Service™,” driving investment in resource-efficient infrastructure at scale by removing the key barriers to adoption: risk and upfront cost. Through this business model, Generate Capital plays the new role of a sustainable utility, partnering with pioneers who develop technologies and projects that customers want and the planet needs.

In its first five years, Generate has built more than $1 billion of climate infrastructure across power, waste and water and transportation markets. In doing so, the company established leadership in: the energy transition, where it is one of the largest owner-operators of commercial and industrial solar and community solar projects in the US; the circular economy, where it processes nearly 700,000 tons of organic waste annually across its anaerobic digester fleet; and the mobility transition, where it is one of the largest owners of hydrogen-powered forklift fleets and electric bus fleets in the US.

As an example of its unique market approach, Generate formed a joint venture with BYD Co., one of the world’s largest suppliers of electric vehicles (EVs), investing $200 million to lease buses to schools, cities and corporations in the US. This investment could prove to be a model replicable across the nation—a notable intervention given the relatively modest penetration of EV fleets in the US due to the high upfront costs and risks that vendors otherwise require the customer to bear.

At the 2018 Global Climate Action Summit, Generate committed to invest an additional $1 billion in climate infrastructure to further the infrastructure transition and to forge a low-carbon future.

With funding rounds led by major asset owners such as the Alaska Permanent Fund as well as US and international pension plans, the company is at the forefront of institutionalizing emerging asset classes in infrastructure. Generate demonstrates how financing innovation is playing a critical role in combating climate change.
Investors can directly influence corporate practices and performance on climate change. Collectively and individually, they have an essential role to play in accelerating the business transition to a net-zero carbon economy. Investors can also leverage their influence to drive the boards and senior management of companies to take action to reduce GHG emissions across the value chain, consistent with the goals of the Paris Agreement.

Investors acting within the Corporate Engagement focus area have committed to supporting one or more of the following: CDP’s Disclosure Request, CDP’s Non-Disclosure Campaign and/or the Climate Action 100+ initiative.

As of September 2019, more than 750 investors are acting in line with the Corporate Engagement focus area of The Investor Agenda.

**CDP’s Disclosure Request**

CDP’s Disclosure Request enables companies to measure and manage their environmental impacts. With more than 560 signatory investors with $96 trillion in assets, CDP now collects environmental data from more than 7,000 companies worldwide and feeds that data back into the market for investor use.

**CDP’s Non-Disclosure Campaign**

CDP’s Non-Disclosure Campaign drives further transparency on environmental issues by actively targeting companies that are persistent non-responders to CDP’s Disclosure Request. Launched in 2016, this campaign enables investors to scale up their corporate engagement.

**Climate Action 100+**

Climate Action 100+ aims to ensure the world’s largest corporate GHG emitters take necessary action on climate change. The focus companies include 100 “systemically important emitters,” accounting for two-thirds of annual global industrial emissions, alongside 61 others with significant opportunities to drive the clean energy transition. Launched in 2017, Climate Action 100+ enables investors to work with their portfolio companies to ensure they are making progress to put in place business strategies ultimately aligned with the goals of the Paris Agreement. It has more than 360 signatory investors with $34 trillion in assets engaging companies to curb emissions, improve governance on climate change and strengthen climate-related financial disclosures.
In 2002, CDP gathered a group of 35 investors who signed its very first climate change disclosure request to 500 of the world’s largest companies—245 companies responded that year. Now, more than 560 signatory investors with over $96 trillion in assets request environmental information from companies. With this increase in investor support, the number of companies responding to CDP’s annual disclosure request has risen each year. In 2018, over 7,000 companies with some 50% of global market capitalization disclosed environmental data through CDP.

With climate change impacts already hitting companies across the globe, an increasing focus is being placed on both actual and potential climate-related risks and opportunities. CDP’s structured questionnaire provides investors with comparable data for them to incorporate in their investment and engagement processes.
CDP’s annual Non-Disclosure Campaign aims to drive further corporate transparency around climate change, deforestation and water security by using shareholder influence to actively engage non-responding companies and encourage them to disclose to CDP.

The Campaign has been running for four years and has been successful in driving more transparency from companies on environmental risks. Companies targeted in the 2018 Non-Disclosure Campaign were 2.5 times more likely to disclose than those that were not targeted.

In 2019, a record 88 investors with nearly $10 trillion in assets targeted over 700 companies across 46 countries for not reporting their climate change, water security and deforestation data in previous years.

**INVESTORS TAKING PART IN NON-DISCLOSURE CAMPAIGN**

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“*It is of the greatest importance that companies disclose and manage their environmental impact and we are proud to be taking a leading role as a loyal supporter of CDP for the 15th consecutive year. Collaborative initiatives are crucial for effective impact, as they ensure a consistent message from asset owners. These will continue to increase in importance, as the financial community’s ESG awareness gains momentum.*”

**VINCENT HAMELINK**

Chief Investment Officer, Candriam

“*Climate change, deforestation and water security are critical challenges that require immediate action. Cathay believes that investors can play an important role in encouraging their investee companies to disclose environmental information—this campaign should improve corporate transparency and help investors better manage these environmental risks and opportunities.*”

**SOPHIA CHENG**

Chief Investment Officer, Cathay Financial Holdings
CLIMATE ACTION 100+ SUCCESSES

Since Climate Action 100+ launched, the initiative has seen some of the world’s largest corporate GHG emitters act on climate change, raising the bar for key sectors including shipping, electric utilities, and oil and gas. Signatories of Climate Action 100+ have been important catalysts for action alongside significant moves by policymakers and civil society.

**Shipping**

**A.P. MOLLER MAERSK**, the world’s largest container shipping company in the world, committed to achieve net zero emissions by 2050. Given the 25-year lifespan of ships, this will require major breakthroughs in the next 10 years.

**Electric Utilities**

**AMERICAN ELECTRIC POWER** committed to a 70% reduction in carbon dioxide emissions from 2000 levels by 2030 and an 80% reduction in carbon dioxide emissions from 2000 levels by 2050.

**XCEL ENERGY** committed to an 80% reduction in carbon emissions from 2005 levels by 2050 and net zero emissions from electricity by 2050.

**SSE**, the second largest utility in the UK, accounting for 15% of the electricity supply, committed to reduce emissions intensity 75% by 2030. In July 2019, SSE agreed to align executive pay with performance on long-term climate goals.

**Oil and Gas**

**ROYAL DUTCH SHELL**, one of the world’s oil and gas supermajors, released a joint statement with investors, committing to a range of industry leading climate commitments including emissions reduction targets that include scope 3 emissions. Shell linked the compensation of 1,200 key employees to the targets, and committed to transparency around lobbying to ensure its lobbying is supportive of the Paris Agreement.

**BP** agreed to support a shareholder resolution put forth by Climate Action 100+ investors to align its business strategy with the goals of the Paris Agreement.

**PETROCHINA** released a sustainability report that set out its plan to align its climate policy and strategy to the goals of the Paris agreement and a less than 2-degrees Celsius scenario.

**Mining**

**GLENCORE**, the world’s largest mining company by revenue, pledged to cap production of coal at current levels and set emissions reduction targets for scope 1 and 2 emissions. The company also committed to assess whether its membership in relevant industry associations aligns with the company’s stated positions.

**RIO TINTO** published its first report aligned with the recommendations of the TCFD, disclosed a review of its lobbying activity and industry association memberships and exited from mining coal.

**Industrials**

**HEIDELBERGCEMENT**, one of the world’s largest cement producers, became the first construction materials company to make a carbon neutral pledge (by 2050) and set a science-based emissions target for 2030.

**Transportation**

**DAIMLER** committed to building a carbon-neutral passenger car fleet by 2039.

**VOLKSWAGEN** committed to become ‘climate neutral’ by 2050 and to launch nearly 70 electric vehicle models by 2028 (up from 50 models previously planned).

**FORD** negotiated an agreement with the state of California to strengthen gas mileage standards after extensive shareholder engagement on its lobbying.
CASE STUDY: Corporate Engagement

With over $1.2 trillion in assets under management, Legal & General Investment Management (LGIM) bears responsibility for delivering consistent returns to its clients. But the asset management arm of the British insurer Legal & General Group does more than navigate volatile markets in managing the retirement savings and investments of millions of people. It also recognizes that the climate crisis will affect global markets, thus posing risks to its clients’ assets, so it acts.

As one of the largest global institutional investors, LGIM can help accelerate the transition to a low-carbon economy by using its seat at the table to push for urgent action from the companies in its portfolios.

Under its flagship climate change engagement, the Climate Impact Pledge (introduced in 2017), LGIM analyzes, engages with and rates over 80 of the world’s largest companies on their response to the climate crisis and their strategic approach to the low-carbon transition. As part of this assessment, the investment manager draws on several indicators developed by CDP in assessing companies on both their transparency and strategy on climate change. In addition, LGIM makes use of “the often more granular disclosures in CDP’s climate questionnaire to inform our assessments,” says Yasmine Svan, sustainability analyst in LGIM’s Corporate Governance team.

To demonstrate that companies’ leadership or inaction will carry consequences, LGIM publicly names some of the best and worst performers. LGIM’s rankings and decisions are based on a combination of quantitative and qualitative assessments, as well as on the results of active engagements. These measurements include the integration of climate risks in board governance structures, the alignment of business strategies with a low-carbon trajectory and climate lobbying activities. As part of the Climate Impact Pledge, the indicators offer a holistic view of how particular companies approach the risks and opportunities posed by climate change.

In addition to publicly naming the leaders and laggards on climate change, to underscore its seriousness LGIM divests from those companies that fail to demonstrate sufficient action within its range of Future World funds, and votes against the re-election of their board chairs across all of its equity holdings.

While LGIM applauds the UK government’s recent decision to set a net-zero carbon emissions target by 2050, it recognizes that investors must continue to ratchet up the ambition and sophistication of their corporate engagement strategies in order to play their part in protecting clients’ assets and hastening the transition to a low-carbon economy.
Corporate engagement on ESG themes has been embedded in the investment strategy of Caisse de Dépôt et Placement du Québec (CDPQ) for many years. CDPQ has demonstrated its engagement through exercising voting rights, performing in-depth analyses on key ESG risks for every new investment and using analyses to establish an open dialogue with companies in their portfolio. Last year, the investment stewardship team produced more than 250 company-specific analyses and addressed 771 ESG-related topics through direct engagement.

The most consistent theme in CDPQ’s corporate engagement initiative has been tackling climate change. CDPQ has made a public statement to integrate this issue in every investment decision, as well as defined quantitative goals to reduce its carbon intensity 25% per dollar invested by 2025 and to significantly increase its low-carbon investments 80% by 2020. CDPQ’s philosophy of engaging with companies, versus excluding corporations from their investable universe, has proven to be an efficient approach toward obtaining a positive tangible impact on investments.

CDPQ’s engagements on climate change are mainly aimed at better disclosure of climate-related risks and opportunities, in accordance with the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD)’s recommendations, which are a clear step in the right direction for any companies in their portfolio. It is key to sound investment decision-making that institutional investors understand a company’s strategy, whether reactive or proactive, in order to deal with climate change and the risks that any company might face. CDPQ handles its climate engagement through discussions with large carbon emitters (such as WEC Energy or Exxon Mobil, in 2018) on their strategies, level of disclosure and general governance around implementing concrete actions to tackle climate change.

With COP25 approaching, CDPQ intends to expand and deepen its corporate engagement efforts, in both public and private markets. Dialogue on corporate strategy regarding climate change will be key, and CDPQ expects a high level of openness at both the board and C-suite levels. CDPQ also plans to partake in more initiatives with peers (such as SASB Alliance, Investor Alliance for Human Rights, Investor Leadership Network etc.), aimed at developing and spreading better practices. The Canadian pension fund’s US $245 billion portfolio provides it with an unparalleled level of influence which it intends to use to promote action to combat climate change by engaging with investee companies and other stakeholders.
Climate change has been a key focus of HSBC Global Asset Management (HSBC GAM)’s stewardship activities for over five years. HSBC GAM uses its experience as a global asset manager with a long-term investment approach to engage directly with the companies it invests in on behalf of its clients to protect and enhance the long-term value of their investments. The money manager meets with companies on a range of ESG issues and has a clear set of engagement objectives which may include:

- **Improving its understanding of a company’s business and strategy**
- **Monitoring performance**
- **Signaling support or raising concerns about company management, performance or direction**
- **Promoting good practice**

HSBC GAM has engaged with hundreds of companies on a range of climate-related issues, including methane emissions, flaring, energy efficiency, capex allocations, physical adaptation, lobbying, GHG measurement, target setting and disclosure on climate-related risks and opportunities. The CDP climate questionnaire is an important source of this data and the firm has therefore supported CDP’s Non-Disclosure Campaign for the last three years, especially because CDP’s disclosure platform is now aligned with the recommendations of the TCFD. Good-quality information on material ESG issues is a prerequisite for good-quality integration. HSBC GAM uses multiple sources of ESG data and related information.

The information that companies disclose, whether directly or prompted by CDP’s Non-Disclosure Campaign, plays an important role in informing their engagement and investment integration activity. HSBC GAM therefore actively encourages better corporate disclosure. Those companies in its portfolios that show continued failure to disclose according to TCFD or CDP guidelines may see investors voting against the company.

**CASE STUDY: Corporate Engagement**

Climate change has been a key focus of HSBC Global Asset Management (HSBC GAM)’s stewardship activities for over five years. HSBC GAM uses its experience as a global asset manager with a long-term investment approach to engage directly with the companies it invests in on behalf of its clients to protect and enhance the long-term value of their investments. The money manager meets with companies on a range of ESG issues and has a clear set of engagement objectives which may include:

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- **Signaling support or raising concerns about company management, performance or direction**
- **Promoting good practice**

HSBC GAM has engaged with hundreds of companies on a range of climate-related issues, including methane emissions, flaring, energy efficiency, capex allocations, physical adaptation, lobbying, GHG measurement, target setting and disclosure on climate-related risks and opportunities. The CDP climate questionnaire is an important source of this data and the firm has therefore supported CDP’s Non-Disclosure Campaign for the last three years, especially because CDP’s disclosure platform is now aligned with the recommendations of the TCFD. Good-quality information on material ESG issues is a prerequisite for good-quality integration. HSBC GAM uses multiple sources of ESG data and related information.

The information that companies disclose, whether directly or prompted by CDP’s Non-Disclosure Campaign, plays an important role in informing their engagement and investment integration activity. HSBC GAM therefore actively encourages better corporate disclosure. Those companies in its portfolios that show continued failure to disclose according to TCFD or CDP guidelines may see investors voting against the company.
Robust and comprehensive disclosures by investors enable clients, beneficiaries and other stakeholders to understand how climate change-related risks and opportunities are being assessed and managed by investors. These disclosures also increase the demand for more consistent, comparable and reliable disclosure of climate-related information by companies and other entities. Quality disclosures by companies and by investors are an important step in enabling market forces to drive the efficient allocation of capital and to support a smooth transition to a low-carbon economy.

Investors acting within the Investor Disclosure focus area have committed to improving disclosures on climate change-related risks and opportunities in their portfolios, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for asset owners and asset managers. Overall support for the TCFD has grown to 824 organizations, including the world’s largest banks, asset managers and pension funds, responsible for assets of $118 trillion, as of July 2019. Previously, 513 organizations had expressed their support for the TCFD as of the One Planet Summit held in New York on September 26, 2018.

As of September 2019, more than 400 investors are acting in line with the Investor Disclosure focus area of The Investor Agenda. This is a sizable portion of total finance sector signatories reported by the TCFD, but also illustrates room for growth in expected submissions of activity, as more investors participate in The Investor Agenda.
PRI

PRI reporting is the largest global reporting framework focused on responsible investment. Launched in April 2006, the PRI is an investor initiative developed in partnership with UNEP FI and the UN Global Compact.

Improving ESG related disclosure is one of the PRI's founding principles. As part of this focus, signatories are required to report to the PRI on an annual basis. Since the PRI started its annual assessment for investors in 2014, it has been able to compile substantial and meaningful assessment data. With a firm focus on transparency, the organization makes this data available to the financial community.

Supporting the adoption of the recommendations of the TCFD is a high priority for the PRI as it provides investors with a global framework for translating information related to climate risk into meaningful financial metrics.

In 2018, the PRI introduced TCFD-aligned indicators to its Reporting Framework. Despite the indicators being voluntary, over 480 investors representing $42 trillion completed these TCFD-aligned indicators. 133 of the 480 PRI signatories (nearly a third) that completed the TCFD-aligned climate indicators made their data publicly available. Those organizations that have made their results public are those that are likely to have the best developed and most advanced systems and processes.

In 2019, the climate indicators were again voluntary. However, starting in 2020, it will be mandatory for all of the PRI signatories to report against the climate indicators related to the Strategy and Governance pillars of the TCFD framework.

UNEP FI

UNEP FI aims to continue to support its three industry groups (investors, banks and insurers) to understand the nuances and advance the quality of their climate-related financial disclosures. Over 30 banks and over 20 insurers are currently advancing their TCFD contributions through ongoing UNEP FI pilots, with the first phase of the TCFD for Investors pilots having recently concluded (as featured in the Changing Course report); a second phase for investors is expected in 2020.

CDP

CDP recognizes the important role of the TCFD in mainstreaming climate-related information and advancing the availability of financially relevant information for global markets.

In recognition of the TCFD's report, CDP has committed to align its annual disclosure requests for companies—including asset managers, banks and insurers—with the TCFD’s recommendations. By standardizing the type of content that investors disclose across key areas—governance, strategy, risk management, and metrics and targets—the TCFD enables investors to make more decisions that integrate climate risk into them.

CDP’s alignment with the TCFD came alongside a sectoral focus and the adoption of a forward-looking approach to climate-risk disclosure. This harmonization has helped drive the adoption of the TCFD recommendations by reporting firms, reduced the reporting burden and increased the speed with which decision-useful information can be generated for data users.

By aligning its annual disclosure requests with the recommendations of the TCFD, 362 investors are providing TCFD-aligned reporting through CDP. 279 of the 362 investors that disclosed to CDP’s TCFD-aligned questionnaire in 2018 made their responses publicly available. These investors measured their climate-related risks and opportunities, as well as the associated financial implications.
Nordea Asset Management (Nordea), the largest asset manager in the Nordics, believes integrating climate risk into decision-making is critical to avoiding unwanted risk exposures and missed opportunities stemming from a low-carbon economy. To promote disclosure according to the recommendations of the TCFD, Nordea piloted scenario analysis on a global benchmark against a delayed policy response toward climate change as part of the UNEP FI TCFD Investor Pilot.

Nordea explored potential cost curves resulting from a policy response to limit climate change to 2-degrees Celsius being advanced in the next five years as compared to the implementation of a 2-degrees Celsius policy starting “today.”

The asset manager found that costs are higher the later a policy is implemented and found strong differences in terms of the impact on sectors. Nordea believes that a sector focus is most relevant in terms of scenario analysis as sectors are not equally exposed to climate-related risks. The asset manager also believes that there is substantial difference among companies within sectors. Finally, Nordea explored whether policy risk will take the form of an instantaneous impact rather than smooth and gradual pricing changes.

Nordea assumes that going into 2024, a global price on carbon will be adopted with the ambition of staying in line with the Paris Agreement. This would, by default, trigger a more aggressive policy framework in terms of decarbonization of the economy. The 2-degrees Celsius policy framework that is delayed comes at a larger cost compared with implementing policies today.

In addition to the 2-degrees Celsius scenario and Delayed scenario, Nordea created a Business as Usual (BaU) scenario which assumes no costs as the planet will remain on a trajectory toward 3.4-degrees Celsius of warming. The possible costs range between $0 (BaU) to roughly $3.5 trillion on a cumulative basis at the end of year 2033 (Delayed scenario). Implementing the 2-degrees Celsius carbon policy in 2019 could safeguard $0.7 trillion over 15 years, as compared to implementing such a policy later.

The figure shows the weighted average Value at Risk (VaR)—a measure of potential losses in a security’s market value due to climate change—across sectors within a global benchmark. It should roughly be interpreted as the total costs induced by climate change-mitigating policies on different sectors relative to the current market values today. The magnitude of costs, as modelled by consulting firm Carbon Delta, varies significantly and illustrates the importance of understanding where the main risks lie.

Importantly, physical risks were not captured in this model. While a BaU scenario has a $0 policy cost, physical risks will be substantially higher in a BaU scenario than a scenario which attempts to limit climate change to 2-degrees Celsius. Thus, when Nordea considers Transition and Physical risk modeling and disclosure practices, it is important to ensure a full and aligned modeling for disclosure to avoid missed opportunities to mitigate risk and/or secure opportunities under the energy transition.

Above all else, the UNEP FI Investor Pilot clearly demonstrated the value of cooperation and the challenges when developing tools for the TCFD recommendations scenario-based risk assessment.
Cbus was an early supporter of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. While voluntary, the TCFD is the global climate reporting standard and provides a flexible rather than fixed framework.

Cbus is a US $35.9 billion Australian pension fund for the building, construction and allied industries. The pension fund has been developing a portfolio of green buildings and examining ways to manage climate risks for several years. Its first year of reporting against the TCFD was FY18. The framework helped Cbus focus on material short, medium and longer-term climate change risks and to be clear about the fund’s strategic intent.

For Cbus, the first step was a gap analysis. The governance section was straightforward; other categories, such as scenario analysis, were harder. For example, Cbus’ participation in the 2015 Mercer Climate Change Project provided expected returns for various asset classes under different climate change scenarios. In 2018, Cbus’ asset consultant analyzed different policy scenarios. While not directly impacting asset allocation, both helped guide where the pension fund could start focusing efforts, and scenario analysis remains an area that Cbus still finds particularly challenging.

Cbus’ roadmap captures the fund’s focus on the built environment, aims to improve portfolio resilience and mitigate exposure to risk through how it invests and advocates for change. In response to the roadmap, Cbus now has a 1% climate portfolio allocation which has helped its investment decision makers frame climate opportunities and decisions.

The Australian superannuation fund took a best endeavors approach to reporting against the TCFD, indicating where it had fully, partially, or not met each of the framework requirements. Cbus’ intention is to improve its reporting year on year.

The TCFD gave Cbus confidence to be transparent around public disclosure of its climate change roadmap, associated targets and metrics. For example, a key metric aimed at limiting risk in the fund’s unlisted portfolios is having its property and infrastructure fund managers commit to net-zero carbon emissions. These managers guide just over 20% of the fund’s portfolio. Targets and metrics like this help guide Cbus’ activities and ensure it is accountable for its commitments. Cbus now looks at climate risk reduction in other asset classes as well.

Using the TCFD has been beneficial in structuring Cbus’ approach to managing portfolio climate related risks and opportunities. While there are challenges, the fund now encourages other asset owners and fund managers to start TCFD reporting. The TCFD also gives the fund credibility when it engages with the companies in which it invests. TCFD reporting is evolving rapidly, and the way Cbus measures, responds and reports will change significantly over time.

“The TCFD framework enabled the fund to think holistically about its risks and opportunities and guided the development of its climate change roadmap. The roadmap, released in September 2018, governs Cbus’ climate activities over a two-year period. It aligns to the portfolio and across asset classes, and how the fund thinks about responsible investment to help deliver strong returns for our members.”

NICOLE BRADFORD
Portfolio Head, Responsible Investment, Cbus
Public policy provides signals and incentives that help direct the flow of capital across the global economy and financial systems. Policymakers need to create policy frameworks that support investment in low-carbon assets, enable investment in adaptation measures and enact a just transition for affected workers and communities.

Investors can directly influence policymakers and, therefore, policy engagement by long-term investors is a necessary extension of these investors’ responsibilities and fiduciary duties to their beneficiaries.

The Investor Agenda’s Founding Partners collaborate closely to enable investors to undertake policy advocacy at scale.

Substantial progress in the number of investors acting in line with the Policy Advocacy focus area of The Investor Agenda can already be seen.

In 2018, the Global Investor Statement to Governments on Climate Change (The Statement) attracted a record-breaking number of signatories. Published annually since 2015, The Statement is now a key element of The Investor Agenda. In it, investors call on world governments to achieve the Paris Agreement’s goals through accelerating private-sector investment in the low-carbon transition, as well as committing to improve climate-related financial reporting.

This Statement was reinforced by a joint briefing paper from the Founding Partners of The Investor Agenda containing detailed recommendations for governments on how to construct climate-protection policy pillars. The two documents were sent to G7 governments ahead of their 2018 summit in Quebec and to

“Climate change affects all sectors of the economy and all countries. It is the biggest and most urgent challenge currently facing the world. As we face a true climate emergency, limiting temperature increase to 1.5-degrees Celsius is necessary for survival, and achievable! Investors have a vital role to play in providing the trillions in capital required to support the transition to a low-carbon and climate-resilient future. It is therefore hugely encouraging to see so many investors unite around such a clear and powerful statement to governments. They are showing a sentiment shared across the global community: exponential scale-up and acceleration of climate action is not a choice but a requirement, and represents our best opportunities for financial stability and economic prosperity.”

CHRISTIANA FIGUERES
Former Executive Secretary, UN Framework Convention on Climate Change
all governments in advance of that same year’s Global Climate Action Summit in San Francisco, alerting all parties to the formal launch of The Investor Agenda.

The joint briefing paper was also submitted to the “Talanoa Dialogue” initiated by the United Nations Framework Convention on Climate Change to encourage ambitious national climate-change policies as governments began to prepare for the United Nations Climate Change Conference (COP24) in Katowice, Poland in December 2018.

On December 10, 2018, 415 investors with more than $32 trillion in assets launched The Statement at Katowice. It amounted to the largest-ever number of investors calling for government action on climate change.

Since then, momentum has continued to grow as more investors recognize the unprecedented ability of The Investor Agenda’s Statement to push governments worldwide to tackle the climate crisis.

Ahead of the G20 Summit in Osaka, Japan in June 2019, CEOs from the seven Founding Partners sent an open letter to governments of the world to strengthen their Nationally Determined Contributions in line with the objectives of the Paris Agreement by 2020.

An updated version of The Statement was released for the UN Secretary-General’s Climate Action Summit in New York in September 2019, with a new record-breaking number of 515 signatories managing over US $35 trillion in assets.

As we move closer to the five-year anniversary of the historic Paris Agreement, investors who signed The Statement will be invited to deepen their direct engagement with governments in order to put in place ambitious long-term policies that will limit global temperature rise to within 1.5-degrees Celsius in line with the goals of the Paris Agreement.
Policy Engagement Around G20 Summit in Japan

CASE STUDY: Policy Advocacy

Japan, as the host of the G20 summit meeting, played a vital role in calling for global government leadership on climate change ahead of the June 2019 meetings in Osaka. Investors supported this call for greater action, and The Investor Agenda Founding Partner organizations coordinated policy engagement with key Japanese government Ministries in the lead up to the summit meeting to inform them of international investor expectations and support for more ambitious government policies.

Additionally, there was a focus on understanding Japan's specific climate plans and policies and how they could be strengthened to meet the request of the UN Secretary-General to "demonstrate a leap in collective national political ambition and massive low-emission movements in the real economy".

Coordinated by AIGCC, CEOs from the seven Founding Partners sent a letter to the Japanese government in response to their updated long-term strategy released ahead of the G20. The letter welcomed the call to embrace renewable energy as a major power source and encouraged the adoption of an increased renewable energy target of 35% in line with the recommendations in the Foreign Ministry “Climate Diplomacy” Taskforce. The establishment of the TCFD Consortium to support the private sector in the implementation of the TCFD recommendations was also welcomed. The consortium, which includes banks, asset owners, and insurers, seeks to provide investors with greater transparency of companies’ climate-related risks.

Investors also participated in preparatory workshops with corporates from the Japan Climate Leaders Partnership to understand how they could collaborate on the policies needed to ultimately benefit companies in the transition to low carbon and ensure sustainable returns for investors.

Japan has a crucial role to play in steering its technological capacity toward renewable energy and strengthening its economy through energy independence. In doing so, it will also attract additional investor capital to support the low-carbon and climate resilient transition.

Investors were represented at key G20 events by Fiona Reynolds, CEO of the PRI. At one meeting convened by the World Bank, Reynolds recommended that G20 policymakers and regulators clarify a need for positive (or prescriptive) duties on long-term investors to integrate ESG factors in their investment processes.

Noting that many institutional investors still cite fiduciary duties as a barrier to the integration of ESG issues in investment decision-making, Reynolds urged policymakers to adopt regulation that requires integration and disclosure of ESG issues and improve monitoring and supervision of investors’ ESG integration practices.

"In our view, misinterpretations of fiduciary and investor duties cannot continue to be allowed to stand if we really want sustainable investment to flourish," concluded Reynolds.

UNEP FI, PRI and IIGCC also co-convened an official G20 side-event, “G20 Global Summit on Financing Energy Efficiency, Innovation and Clean Technology”, which fostered further dialogue between investors and policymakers.
In the UK, a number of investors worked under the coordination of IIGCC to influence the government's decision on a net-zero emissions target for 2050.

As part of an intensive engagement campaign, investors undertook early outreach to the independent UK Committee on Climate Change, who had been tasked with providing expert advice and analysis to government. This ensured the investor perspective was taken on board at the technical level.

In parallel, at the political level, investors joined a joint letter from 120 CEOs to the Prime Minister in order to set out the economic and financial case for a strong target. When it became clear that there were concerns over the cost of the transition from the Treasury, investors wrote separately to the Chancellor to provide credible perspectives on the investment opportunities and benefits of climate ambition. This was followed up by a joint article in the Financial Times from IIGCC's CEO, along with business contemporaries. Throughout the process, IIGCC liaised directly with government officials to ensure that the investor perspective had been received and fully understood.

As a result, on June 12, 2019 the UK government announced that it would legislate for a net-zero emissions target for 2050, becoming the first G7 nation to do so. The UK government made clear that the joint CEO letter had been instrumental in tipping the balance, with the Prime Minister's office tweeting out a list of all the signatories.

The announcement represented a very positive step for UK domestic policy. UK investors and IIGCC will now shift their focus onto working with the UK government on how this legislation is implemented.
CASE STUDY: Policy Advocacy

In North America, Ceres has mobilized more than 30 investors to advocate for stronger climate and clean energy policies, including a price on carbon, at the state and federal level. These efforts have included investor sign-on letters, direct meetings with policymakers and strategic communications such as publishing op-eds and participating in media interviews. In concert with other credible messengers, including companies, investors have played a critical role in achieving major policy wins including legislation in California that has been regarded as one of the most important climate policies in the world.

California’s landmark green energy bill signed into law in 2018 (SB 100), established a goal for California to receive all of its electricity from carbon-free sources by 2045. Twenty institutional investors with a combined $212 billion in AUM supported the bill, sending a letter to California’s governor and legislative leaders urging its passage. Among the investors included were Boston Common Asset Management, Domini Impact Investments LLC, the New York City Comptroller, Pax World Management and Trillium Asset Management.

“Tackling climate change is one of America’s greatest economic opportunities of the 21st Century,” the investors wrote in the letter.

Some of the investor signatories also traveled to Sacramento to convince legislators in person that this ambitious climate policy will help drive innovation and economic growth. Thus, these investors helped the fifth largest economy in the world commit to a path of 100% clean energy. And California’s bold decision, in turn, catalyzed a number of other states around the US to introduce equally ambitious 100% clean energy bills.

Then-governor of California Jerry Brown, signing SB 100, California's 100 Percent Clean Energy Act.
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