Internal Document · Year 6 · Number 30· Monday 4 May 2015 · published by Fondazione Culturale Responsabilità Etica

ACTION!

THE RESPONSIBLE SHAREHOLDER'S REVIEW

THE MONTH AT A GLANCE

For Fcre (Fondazione Culturale Responsabilità Etica), the AGM season normally begins and finishes in May. We are focused on two companies: the oil giant Eni, whose AGM will be on the 13th of May, and Italy's largest power company Enel, whose AGM will be on the 28th of May. Fcre has recently asked questions to Eni about the new remuneration report as well as the development of the company's projects in Mozambique and Kazakhstan. Eni's new remuneration report, which will be put to the vote of the AGM, presents some major changes including a 25% reduction of maximal annual remuneration as well as the elimination of any discretionary bonus, as explicitly required by Fcre at Eni's AGM in 2012. The remuneration report also includes a new definition of ESG metrics in the determination of short term incentives. The ESG bonus, which accounts for 25% of short term incentives, won't be based on Eni's presence in the Dow Jones Sustainability and Footsie4Good indexes anymore but rather on the reduction of CO_2's emissions and work accidents, as required by Fcre at Eni's AGM in 2014.
Following the adoption of Fcre's proposals, we will vote in favour of Eni's remuneration report for the first time. While we will continue to abstain on the consolidated financial statements and on the allocation of net profit.

IN ONE WORD

BlackRock's double standards on shareholder rights
BlackRock, the world's largest asset manager, is pressing companies in its portfolio to give their shareholders a right to nominate directors, putting it in the forefront of the latest US corporate governance campaign — yet it is not a right that the company is planning to grant to its own investors. "While proxy access is an evolving governance consideration in the US, it is not a topic our shareholders have expressed as being a priority for us at this time," BlackRock said in a statement. The right to nominate directors has become an issue at corporate annual meetings in the US this spring. (Source: Financial Times)

ENEL HAUNTED BY SLOVAKIAN NUCLEAR

Slovakia will talk to **Enel** about raising the government's stake in utility **Slovenske Elektrarne** from 34% to a majority, pushing the Italian group to change a plan to sell its entire 66 percent share to a private investor.
The talks are the latest twist in a **dispute between Slovakia and Enel**, centred on an **unfinished nuclear power plant** (Mochovce) and the centre-left government's drive to gain greater control over strategic industries. Enel has put the sale of its stake at the heart of a **divestment plan to cut debt** and has been expecting binding bids for the share by May 9. A meeting between Prime Minister Robert Fico and Enel Chief Executive Francesco Starace on 29 April produced a range of other options, most of which suggested **Enel would stay in the firm** in a minority position for some time after selling part of its stake, possibly to Slovakia. Enel will have to stay until the 4.6 billion euro nuclear plant in Mochovce is completed over the next two years.
On 28 April Robert Fico also demanded the return of more than 490 million euros he said Enel had earned "unjustifiably" while operating the local **Gabcikovo hydropower plant**. Slovakia said in December Enel had not presented any plans for an overhaul or repairs to the large hydro plant on the Danube rive. (Source: Reuters)

ENI PUMPS OIL IN WAR TORN LIBYA

Eni has emerged in recent weeks as **the only international oil company** still pumping near capacity in war-torn **Libya**, helped by protection from militias and tribes secured by its local partners. Libya's security risks have crippled the efforts of rival oil companies, which have said they have suspended production onshore in the North African country.
So far, Eni's operations through its partners have largely been spared in the fighting between an **Islamist group of militias** called **Libya Dawn** that controls the capital of Tripoli, and an internationally recognised government in the city of **Baida**, thanks to security arrangements struck on its behalf, according to people familiar with the matter. In the nation's northwest corner, an Eni pipeline carrying around 10% of Italy's natural gas supplies sits near a jihadi training camp but **is protected by a militia called Western Shield** that is part of **Libya Dawn**, said Libyan officials and a Western security official. An Eni spokesman said the company has no agreements with any militias in Libya.
Striking security deals with Libyan militias is a "risky strategy," said Geoffrey Howard, a Libya analyst at Control Risks, speaking generally. The membership of local militias changes often, and **some could be accused later of human rights abuses** or of **being connected to terrorists**, he said. (Source: The Wall Street Journal)

UBS SHAREHOLDERS VOTE ON BOARD PAY

On 1 April UBS said that its shareholders will, for the first time, **directly approve pay for executives** at its annual meeting in May. The Swiss bank has **previously held advisory votes** by shareholders on its prior fiscal year's compensation report at its annual meetings.
The shareholder vote comes after **Swiss lawmakers enacted new rules in January 2014** intended to limit excessive compensation at companies listed in Switzerland. Swiss public companies are now required to hold votes on pay. UBS said shareholders would be asked to vote on the so-called **variable compensation**, namely annual bonuses, of members of the Group Executive Board for 2014, including **Sergio P. Ermotti**, its chief executive.
Investors will also be asked to approved the base salaries and other fixed pay of its top executives for the 2016 financial year and compensation for members of its board of directors in 2015. Mr. Ermotti is set to receive total compensation of 11.2 million Swiss francs, or about $11.5 million, for 2014, up from 10.7 million francs in the previous year. The figure includes 8.4 million francs in variable compensation, which includes shares in UBS that will be granted to Mr. Ermotti subject to shareholder approval. Those shares would not vest until 2020. The annual meeting is set for **May 7** in Basel. (Source: New York Times)

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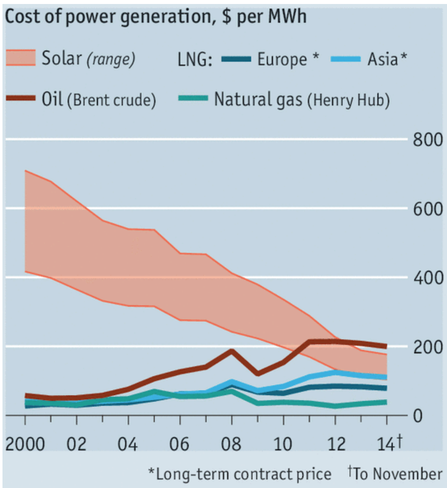
VOICES FROM THE SOUTH

Enel's contributions to political groups in Chile under internal scrutiny
Political contributions amounting at US $ 3.5 million that the Enersis Group (Enel) paid to Chile's presidential candidates in 2013, including the current President Michelle Bachelet, are being internally audited by Enel, confirmed the company at the end of April. Enel's donations would amount to 1/10 of the $ 19 million that have been donated in total to all candidates during the electoral campaign. "The donations have been granted under the regulatory framework of the country and after being approved by the board. We haven't identified any irregularity", said the CEO of Endesa Chile (Enel), Valter Moro. Endesa's deputy general manager and manager of Administration and Finance, Ramiro Alfonsin, specified that the internal audit is ongoing, so the findings are preliminary. When asked by the financial magazine "Moneda" about the existence of irregular invoices, Alfonsin denied this possibility. Sources close to Enel report that political contributions are not considered and regulated within Enel Group's policies, since Enel itself is controlled by the Italian state. (Source: Negocios)

GRAPH OF THE MONTH



Plummeting prices are boosting renewables Global investment in renewable energy, chiefly wind and solar power, rose by a sixth in 2014, to $270 billion. This was partly because of subsidies in the rich world, such as America's 30% federal tax credit for small solar installations. An increasingly key factor for the success of renewables also in developing countries is, however, their falling cost. The cost of battery storage, a vital part of a solar-powered future, has fallen by 60% since 2005, and the overall cost of a solar-power system is down by 75% since 2000. IHS, a consultancy, reckons the cumulative fall will be 90% by 2025. Renewables, excluding large hydropower schemes, now account for nearly a tenth of global power generation. On current trends they will make up a fifth by 2030. (Source: The Economist)

JUST BEFORE GOING TO PRESS

G20: fossil fuel fears could hammer global financial system
The G20 powers have launched a joint probe into global financial risks posed by fossil fuel companies investing in costly ventures that clash with international climate goals and may never be viable. World leaders are increasingly concerned that a $6 trillion wave of investment into the nexus of oil, gas, and coal since 2007 is based on false assumptions, leaving companies with an overhang of debt and "stranded assets" that cannot easily be burned under CO2 emission limits. The G20 has asked the Financial Stability Board in Basel to convene a public-private inquiry into the fall-out faced by the financial sector as climate rules become much stricter. (Source: The Telegraph)

Strike Shuts Down Key Eni Field in Libya
Striking workers have shut down an important Libyan oil field in a dispute over wage payments, a Libyan official said on 26 April. The job action by guards at the el-Feel oil field comes as the country's petroleum industry has been disrupted by armed conflict between two rival governments, terrorist attacks and sabotage. The field is jointly run by Italian energy giant Eni SpA and Libya's National Oil Co. A National Oil Co. spokesman said he expects el-Feel's production to resume "soon" and that the interruption was "only temporary." Eni referred calls to the Libyan government. (Source: The Wall Street Journal)

BOOKS, FILMS & MORE

The Guardian Media Group gets out of fossil fuels
The Guardian Media Group (GMG) is to sell all the fossil fuel assets in its investment fund of over £800m, making it the largest yet known to pull out of coal, oil and gas companies. The decision was justified on both financial and ethical grounds, said **Neil Berkett**, GMG chair: "It is a hard-nosed business decision, but it is influenced by the values of our organisation. It is a holistic decision taking into account all of those things."
Berkett said fossil fuel assets had performed relatively poorly in recent years and were threatened by future climate change action, while an ethical fund already held by GMG had been a "stellar" performer and renewable energy was growing strongly. "This means we can adopt socially responsible investment criteria without putting at risk the core purpose of GMG's investment funds: to generate long-term returns that guarantee the financial future and editorial independence of the Guardian in perpetuity," he said. The Guardian's **Keep it in the Ground** campaign is asking the world's two biggest charitable funds – the **Bill and Melinda Gates Foundation** and the **Wellcome Trust** - to divest their endowments from all fossil fuels.

Link to interview with Neil Berkett:
http://goo.gl/kGmXXj