

ESG Spotlight

Blue investing: searching for solutions to ocean plastics 5 November 2018

Themes:

Plastic waste management, ocean health, sustainable solutions to plastic pollution

Industry:

Multiple

Region:

Global

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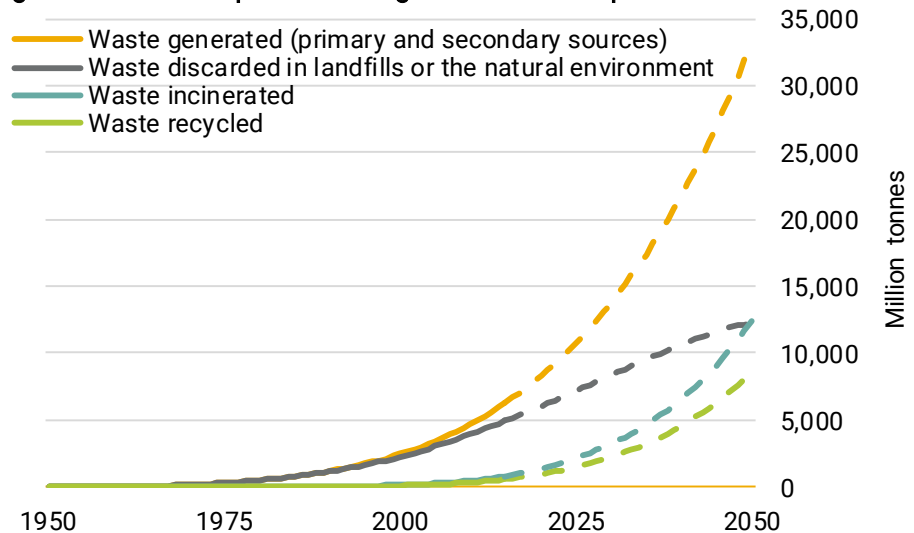
Key insights

- We estimate that only 10% of 4,575 covered issuers with exposure to plastic waste management risks exhibit **strategic awareness of plastic pollution**.
- Our web crawler analysis finds that **less than 1% of these 4,575 firms use the phrase “ocean plastic” or “ocean health”** in relevant corporate documents.
- We scan our coverage universe and identify eight firms contributing solutions to plastic pollution, including **BillerudKorsnäs** and **Adidas**.

Opportunity awaits beneath the surface of a vast problem

Plastic is inexpensive, durable and malleable, making it suitable for countless applications. But most of the plastic ever produced has become waste, contributing to an immense pollution problem. If current trends in production and waste management continue, 12 billion tonnes of plastic will accumulate in landfills and the natural environment by 2050, as indicated by the grey line in Figure 1. The public, regulators and investors have grown acutely concerned about the problem of plastic pollution, especially ocean plastics. In this report, we take a deep dive into the economy of plastics in search of companies that are well positioned to mitigate the risks of extended producer responsibility and satisfy the market’s appetite for sustainable solutions. Deploying a unique web-crawling tool and a set of relevant environmental, social and governance (ESG) metrics, we establish relevant ESG benchmarks for the 39 most exposed subindustries, identify corporate leaders and showcase cutting-edge solutions. Our approach supports what we call “blue investing” – that is, gaining portfolio exposure to firms committed to marine ecosystem conservation.

Figure 1: Cumulative plastic waste generation and disposal*



*Solid lines historical, dashed lines projections.

Source: Science Advances, Geyer et al. (2017)²

Ocean plastics in perspective

Practical materials, unsustainable path Plastics make up a plethora of useful products, from key components in aircrafts to disposable shopping bags. Even single-use packaging, which is the largest source of plastic pollution, offers social, environmental and financial benefits, such as reducing food waste and lowering fuel use in transportation.³ But current trends in plastic waste management are clearly unsustainable.

Pace of production and waste A recent study published in *Science Advances* estimates that the global annual rate of plastic production surged from 2 million tonnes in 1950 to 380 million tonnes in 2015. During this period, 8.3 billion tonnes of virgin plastics were produced, only 30% of which are still in use. Of the 6.3 billion tonnes of plastic that became waste, only 9% was recycled; 12% was incinerated and 79% accumulated in landfills or natural environments, including marine ecosystems.⁴

Ubiquity of ocean plastics In 2010 alone, an estimated 8 million tonnes of plastic waste – the equivalent of one garbage-truckload per minute – entered marine environments from land sources.⁵ Ocean plastics are now so pervasive, they have been found on the beaches of uninhabited islands,⁶ in the deepest oceanic trench⁷ and trapped in remote Arctic sea ice.⁸ The Great Pacific Garbage Patch, one of several massive swaths of floating waste, contains an estimated 79,000 tonnes of plastic and covers 1.6 million square kilometres, an area twice the size of Texas.⁹ Without improved waste management practices, the annual rate of plastic entering marine environments is projected to reach 17.5 million tonnes by 2025.¹⁰

Swelling concerns

The durability conundrum While the durability of plastic is conducive to a myriad of commercial applications, this feature makes it highly problematic when plastic waste enters the natural environment. In marine systems, plastics can take more than 400 years to break down into microplastics (fragments less than 5 mm in diameter), much of which may never fully degrade.¹¹ Plastics of all shapes and sizes, and the inherent and absorbed chemicals they leach, pose a threat to terrestrial and aquatic environments, water supplies and sensitive ecosystems.¹²

Ghosts of plastic Innumerable organisms have consumed or been trapped by plastic debris, often fatally. A review by the UN Convention on Biological Diversity (CBD) identifies 817 species, including fish, birds, marine mammals and reptiles that have ingested, been entangled or otherwise affected by marine debris, 75% of which is plastic. Several of these species are on the International Union for Conservation of Nature Red List of threatened species.¹³

Ecosystem uptake Microplastics have been ingested by all sorts of marine lifeforms, from corals¹⁴ and zooplankton¹⁵ to turtles¹⁶ and whales.¹⁷ While the extent of the ramifications has yet to be fully understood, microplastic ingestion among marine organisms has been associated with a range of negative effects on their feeding, growth, reproduction and survival.¹⁸ A potential long-term consequence of microplastics is a decline in animal populations that play important structural roles in sensitive ecosystems.¹⁹

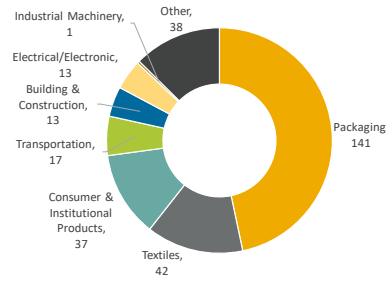
Plastic food, plastic drink	<p>The uptake of plastics in the marine food web has resulted in contaminated human food supplies, raising concerns about food security, food safety and human health, especially in populations with high levels of seafood intake.²⁰ Beyond seafood, microplastics have been identified in other consumable goods, such as drinking water (both bottled and tap), salt and beer.²¹</p>
Financial impacts	<p>Ocean plastics exacerbate other problems linked to marine debris, such as bodily injuries, entanglements, navigational hazards, diminished aesthetic value of affected areas and losses to commercial operations.²² The UN Environment Programme estimates that natural capital costs of ocean plastics to fisheries, shipping, tourism and other industries is USD 13bn per annum.²³</p>
Applying pressure to stem the tide	<p>Global attention to the ecological and societal challenges of ocean plastics is mounting. This year, the theme of World Environment Day was “beat plastic pollution”²⁴ and the UN General Assembly named 2021-2030 the “Decade of Ocean Science for Sustainable Development.”²⁵ All 193 UN countries have signed a resolution to eliminate ocean plastic pollution.²⁶ More than 60 countries and many more local jurisdictions have introduced bans and levies to curb single-use plastic waste.²⁷ Blue-chip companies are also facing pressure from non-governmental organizations that use data collected through beach cleanups and brand audits to target big names, such as Coca-Cola, PepsiCo and Nestlé.²⁸</p>
<h3 style="color: #00A68F;">The hunt for blue exposure</h3>	
Flipping a downside to an upside	<p>While firms contributing to the problem of plastic pollution are facing the risks of extended producer responsibility and reputational blowback, those developing solutions may mitigate these risks and reap the benefits of improved resource efficiency, positive brand association, additional revenues from alternatives to conventional plastics and emerging investor interest.²⁹</p>
Uptick of investor interest	<p>Indeed, ocean plastics are on the radar of dozens of influential asset managers. A coalition of 25 major institutional investors with combined assets valued at USD 1tn have joined the Plastic Solutions Investor Alliance, declaring plastic pollution a corporate brand risk and pledging to engage with companies on the issue.³⁰ Impact-focused funds that invest in companies, innovations and projects aimed at preventing plastics from entering the ocean and improving ocean health have also sprung up over the past few years.³¹ Investors, philanthropists and crowdfunding have also contributed to the USD 31.5mn raised by the Ocean Cleanup foundation, which recently launched a 600 metre-long boom system designed to remove plastics floating in the ocean.³²</p>
Are corporates onboard?	<p>Responding to the upsurge of interest in ocean plastics, some corporations have pledged to reduce the amount of plastic packaging they use, increase the amount of recycled material in their products, introduce biodegradable alternatives and even use upcycled ocean plastics in premium products.³³ But gauging how well positioned a company is to tackle plastic pollution is challenged by a dearth of corporate disclosure. The Plastic Disclosure Project’s analysis of 100 large publicly traded consumer goods companies found that less than half of the sample reported any quantitative data points about plastics.³⁴</p>

A two-step methodology

Navigating the market

To help investors assess the market and work around the gaps in company reporting, in this study we develop a two-step approach: (1) deploy a customized digital innovation tool to scrape the web and mine company documents for text related to plastic pollution and (2) evaluate the potential of firms to implement solutions by reviewing their strategies and performance on relevant ESG metrics.

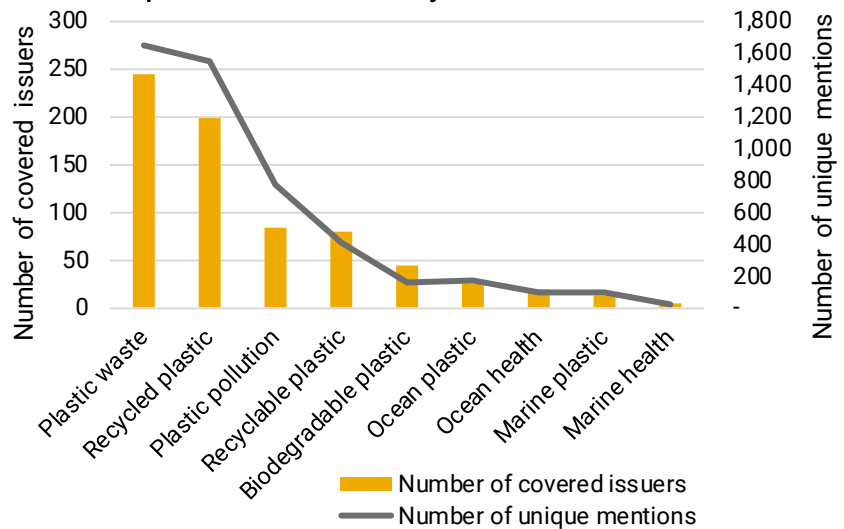
Figure 2: Annual primary plastic waste generation by sector (million tonnes)*



*2015 estimate Source: Geyer et al. (2017)

As shown in Figure 2, seven sectors account for almost all primary plastic waste generation, with Packaging accounting for the lion’s share at 141 million tonnes in 2015. Applying our web-crawler to the websites of 4,575 covered issuers mapped onto these sectors (see Appendix A), we find that about 10% (n=493) of the companies in our sample have published materials that include at least one key term related to plastic waste management.³⁵ As indicated in Figure 3, 246 (6%) of the firms use the phrase “plastic waste” a total of 1,651 times, while less than 1% mention “ocean plastic” or “ocean health.” These findings suggest low strategic awareness about these topics within sectors heavily involved in plastic waste production despite intense and widespread public interest.

Figure 3: Plastic pollution-related terms by covered issuers



Source: Sustainalytics

Biodegradable and upcycled materials

While many of the companies we looked at emphasize the use of recycled or recyclable materials, those offering biodegradable or upcycled alternatives to conventional plastic products are few and far between. We believe, however, that growing public awareness about the problem of plastic pollution will spur greater demand for premium biodegradable and upcycled products.

Spot-checking ESG capabilities

Seeking to identify public firms that are well positioned to serve the market for biodegradable and upcycled products, we examine the context of each company’s use of key terms and its performance on relevant ESG metrics (see Appendix B). Although these metrics do not focus exclusively on plastics, they offer insights into relevant corporate management capabilities. Table 1 summarizes the initiatives related to biodegradable and upcycled materials reported by eight firms in the sectors most exposed to plastic waste generation.

Table 1: Company initiatives related to plastic pollution

Company	Subindustry	Market	ESG Risk Score	Potential contributions to solving the problem of plastic pollution
BillerudKorsnäs AB	Paper Packaging	Sweden	14	The company offers a variety of alternatives to plastic packaging, including its FibreForm paper products and D-Sack cement sacks. The firm is involved in Håll Havet Rent, Sweden's initiative to combat marine litter.
Adidas AG	Footwear	Germany	11	Partnering with Parley, Adidas has developed a lineup of performance products, including shoes and swimwear, made of upcycled ocean plastics, such as discarded plastic bottles and fishing nets. In 2017, adidas produced more than a million pairs of shoes made from recycled ocean waste and in 2018 announce that by 2024 it will only use recycled polyester in all its shoes and clothing.
Hunter Douglas NV	Home Improvement	Netherlands	18	The company offers window treatments, such as blinds and shades, made of GreenScreen Sea-Tex, a sunscreen fabric composed of 50% recycled ocean plastic waste recovered from shorelines and coastal communities around the world.
Cathay Pacific Airways Ltd	Airlines	Hong Kong	N/A	The airline's initiatives to reduce its plastic waste footprint include the inflight use of re-usable cutlery, bioplastics in amenity kits, biodegradable plastic bags for blankets, cutlery, magazines and duty-free purchases. In 2017, it recycled 612 tonnes of plastic, which amounts to 6% of the company's total waste profile.
Koninklijke Boskalis Westminster NV	Non-Residential Construction	Netherlands	31	The marine services group is a major sponsor of the Ocean Cleanup and was involved in transporting and installing a prototype waste collection system designed to remove floating ocean plastics.
ABB Ltd	Electrical Equipment	Switzerland	19	The company provides shipboard systems software and expertise to voyages of By Ocean we Unite, a charitable organization researching the sources and impacts of ocean plastics.
Alfa Laval AB	Industrial Machinery	Sweden	29	The company produces bioreactor technology for municipal and industrial wastewater treatment. Its membrane filtration system has been used by the Roskilde Fjord project to determine the amount and type of microplastics in wastewater.
PTT Global Chemical Public Company Ltd	Commodity Chemicals	Thailand	19	PTTGC has exposure to the market for polylactic acid (PLA) -- a biodegradable plastic with a wide range of applications -- through its subsidiary Global Green Chemical PLC and joint ownership (with Cargill) of NatureWorks. Although PLA is biodegradable in soil, it could still take centuries to decompose in a landfill and it is unclear how long it could take to degrade in water.

Source: Sustainalytics

Leaders of innovation

As detailed in Appendix C, we observe substantial differences between the likely impact of these companies' initiatives, their business models and their performance of on relevant ESG benchmarks. BillerudKorsnäs and Adidas stand out as clear leaders in the markets for biodegradable and upcycled materials. BillerudKorsnäs offers a variety of paper alternatives to plastic packaging and is exploring how starch-based materials can replace conventional food packaging.³⁶ Adidas sold a million pairs of shoes made from recycled ocean waste in 2017 and announced in July 2018 that by 2024 it will only use recycled polyester in all its shoes and clothing.³⁷ Both of these companies also outperform their subindustry peers on relevant ESG metrics.

Conclusion – bulls of the sea

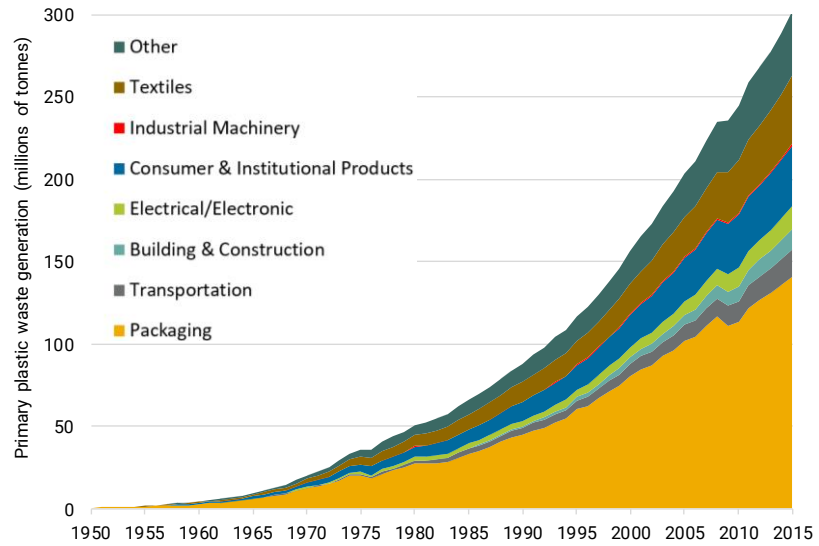
Catching tailwinds

The effects of plastic pollution on wildlife and human societies are raising concern among the public, regulators and investors. Our brief journey through the economy of plastics revealed that less than 1% of 4,575 covered issuers in the sectors that generate most of the waste on the planet use the phrase "ocean plastic" or "ocean health" on their corporate websites, suggesting a low level of strategic awareness about how their products are connected to the problem. Yet demand for sustainable solutions is driving innovation among firms that are in tune with growing consumer and investor interest in plastic pollution. While the solutions offered by the companies featured in this report are far from a panacea, they demonstrate the beginnings of what a blue investing thesis may look like. Our outlook is that demand for sustainable solutions will produce tailwinds for firms developing biodegradable and upcycled plastic products. We view BillerudKorsnäs and Adidas to be among the players best prepared to contribute meaningful solutions to the problem of ocean plastics.

Appendix A: Sector and subindustry mapping

Figure A.1 shows the primary waste generated by eight sector categories and Table A.1 maps these categories to a selection of Sustainalytics subindustries.

Figure A.1: Global primary plastics waste generation by sector, 1950-2015



Source: Science Advances, Geyer et al. (2017)

Table A.1: Mapping sectors and subindustries

Science Advances (Geyer et al., 2017) sector	Sustainalytics subindustry
Building & Construction	Building Products
	Construction Materials
	Homebuilding Non-Residential Construction
Consumer & Institutional Products	Consumer Electronics
	Home Appliances
	Home Improvement Toys and Sporting Goods
Electronic/Electrical	Electrical Equipment
	Electronic Components
	Electronics Equipment
	Electronics Manufacturing
Industrial Machinery	Agricultural Machinery
	Heavy Machinery and Trucks
	Industrial Machinery
Packaging	Metal and Glass Packaging
	Paper Packaging
Textiles	Footwear
	Luxury Apparel
Transportation	Textiles
	Air Freight and Logistics
	Airlines
	Auto Parts
	Automobiles
	Motorcycles
	Rail Transport
	Shipping
	Tires
	Trucking
Other	Agricultural Chemicals
	Agriculture
	Commodity Chemicals
	Diversified Chemicals
	Household Products
	Industrial Gases
	Packaged Foods
	Personal Products
	Soft Drinks
	Specialty Chemicals

Source: Sustainalytics, Geyer et al. (2017)

Appendix B: Subindustry benchmarks

Table B.1 shows the mean score of covered issuers within each selected subindustry on a set of relevant ESG indicators. These subindustry average scores serve as our benchmarks, which we use to gauge the capabilities of companies to implement solutions related to plastic pollution. One may also use these benchmarks to identify relevant differentials between subindustries.

Table B.1: Subindustry benchmarks based on ESG Risk Scores and 10 ESG indicator scores.

Geyer et al. (2017) sectors		Subindustry benchmarks (average scores)											
		Number of covered Issuers	ESG Risk Score	E.1.1 Environmental Policy Score	E.1.2 Environmental Management System Score	E.2.1 Green Procurement Policy Score	E.2.1.1 Supplier Environmental Programmes Score	E.2.1.7 Recycled Material Use Score	E.3.1.1 Sustainable Products & Services Score	E.3.1.6 Eco-Design Score	E.3.1.7 Product Stewardship Programmes Score	G.2.1 ESG Reporting Standards Score	G.2.5 ESG Governance Score
Building & Construction	Building Products	156	26	31	40	35	N/A	33	33	31	15	20	35
	Construction Materials	154	34	41	50	32	N/A	29	33	N/A	N/A	43	56
	Homebuilding	82	21	29	27	51	22	N/A	N/A	54	N/A	16	42
Consumer & Institutional Products	Non-Residential Construction	384	41	36	45	31	30	N/A	30	49	N/A	28	46
	Consumer Electronics	44	23	47	53	82	72	N/A	58	52	44	30	54
	Home Appliances	61	25	36	38	48	38	N/A	21	31	20	20	43
	Home Improvement	80	17	26	24	25	0	N/A	12	18	7	10	33
	Toys and Sporting Goods	74	15	27	22	29	36	N/A	10	12	8	12	35
Electronic/Electrical	Electrical Equipment	215	28	38	52	47	56	N/A	48	34	23	25	49
	Electronic Components	151	24	46	53	49	37	24	N/A	27	8	29	49
	Electronics Equipment	167	16	36	33	54	29	N/A	N/A	22	13	19	34
Industrial Machinery	Electronics Manufacturing	49	13	41	53	56	49	25	N/A	20	14	22	46
	Agricultural Machinery	21	23	44	40	48	N/A	N/A	33	30	N/A	16	55
	Heavy Machinery and Trucks	140	36	35	42	34	N/A	N/A	28	30	N/A	25	42
Packaging	Industrial Machinery	419	35	36	42	41	N/A	N/A	34	20	7	20	38
	Metal and Glass Packaging	63	21	35	38	25	N/A	35	13	36	25	22	32
Textiles	Paper Packaging	54	20	45	46	47	N/A	42	23	71	32	34	51
	Footwear	28	19	35	35	49	48	N/A	30	29	11	34	41
	Luxury Apparel	139	16	31	30	54	55	N/A	17	23	9	23	44
Transportation	Textiles	66	18	29	36	42	20	N/A	25	8	25	22	32
	Air Freight and Logistics	67	23	37	39	42	43	N/A	16	N/A	N/A	28	42
	Airlines	88	35	37	37	25	26	N/A	5	N/A	N/A	36	50
	Auto Parts	225	27	41	56	50	N/A	27	N/A	30	N/A	19	43
	Automobiles	78	32	53	66	63	69	N/A	38	59	N/A	57	68
	Motorcycles	10	18	40	58	48	20	N/A	19	50	N/A	35	62
	Rail Transport	64	28	36	50	25	18	N/A	8	N/A	N/A	33	56
	Shipping	86	26	33	46	26	25	N/A	6	N/A	N/A	21	37
	Tires	34	22	45	56	50	N/A	32	N/A	61	36	31	52
	Trucking	81	20	23	25	18	14	N/A	12	N/A	N/A	13	30
Other	Agricultural Chemicals	74	48	36	41	24	24	N/A	7	N/A	N/A	33	56
	Agriculture	173	42	34	33	41	53	N/A	N/A	N/A	N/A	25	39
	Commodity Chemicals	213	32	39	57	31	32	N/A	12	N/A	N/A	27	46
	Diversified Chemicals	56	36	48	64	43	50	N/A	30	N/A	N/A	45	77
	Household Products	40	29	45	55	68	55	47	29	N/A	N/A	25	62
	Industrial Gases	18	19	38	59	44	48	N/A	43	N/A	N/A	37	74
	Packaged Foods	454	38	34	39	40	31	N/A	N/A	N/A	N/A	27	43
	Personal Products	94	32	29	35	52	41	34	12	N/A	N/A	19	33
Soft Drinks	46	27	47	59	50	40	N/A	N/A	N/A	N/A	39	64	
Specialty Chemicals	152	36	44	55	37	43	N/A	22	N/A	N/A	28	61	

Source: Sustainalytics

Appendix C

Each of the companies featured in Table 1 (p. 5) reports some initiative related to plastic waste management. However, we find substantial differences in the impact of their potential plastic pollution solutions and their broader ESG profiles. This Appendix provides some discussion about each company’s initiatives and performance on 11 ESG metrics (ESG Risk Ratings score + up to 10 ESG indicator scores). All metrics are scored on a 0-100 scale. A low ESG Risk score signals low overall ESG risks; high ESG indicator scores signal strong ESG programmes and policies.

ABB Ltd – robotics to the rescue?

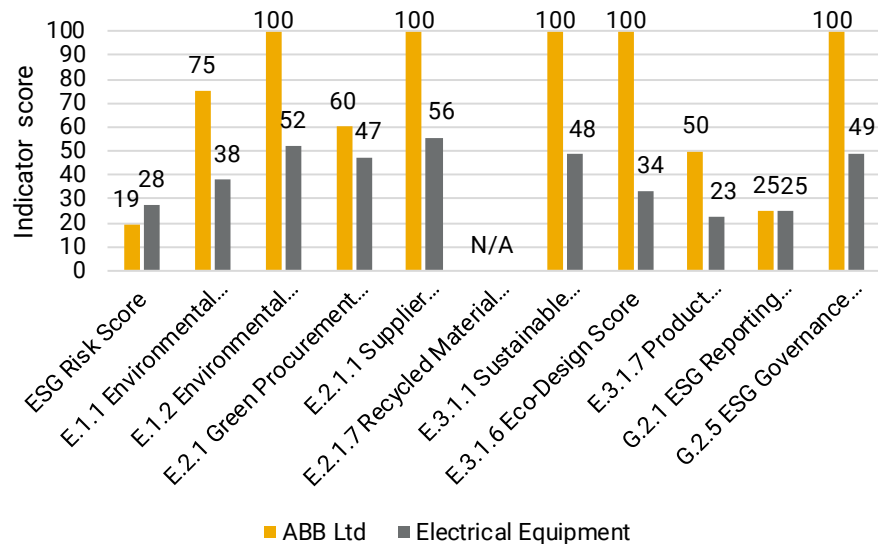
Company description

ABB is a holdings company with segments in Electrification Products, Robotics and Motion, Industrial Automation, Power Grids and Corporate and Other. The company offers a full suite of products for both discrete and process automation and is a top robotic arm supplier globally.

ESG analysis: 9/10

ABB outperforms the Electrical Equipment subindustry on nine of 10 applicable benchmarks and is on par with its peers on G.2.1 ESG Reporting Standards, as shown in Figure C.1. The firm provides better overall ESG disclosure than its peers, which is one of the reasons we consider it a subindustry leader. ABB’s eco-design programme is mainly focused on energy-efficiency and easing the recyclability of its products rather than on the reduction of materials.

Figure C1: ABB vs Electrical Equipment



Source: Sustainalytics

Extent of blue initiatives

ABB provided shipboard systems software and expertise to voyages of By Ocean we Unite, a charitable organization researching the sources and impacts of ocean plastics.³⁸ However, its other activities are not directly linked to addressing the problem of ocean plastics.

Adidas AG – a step in the right direction

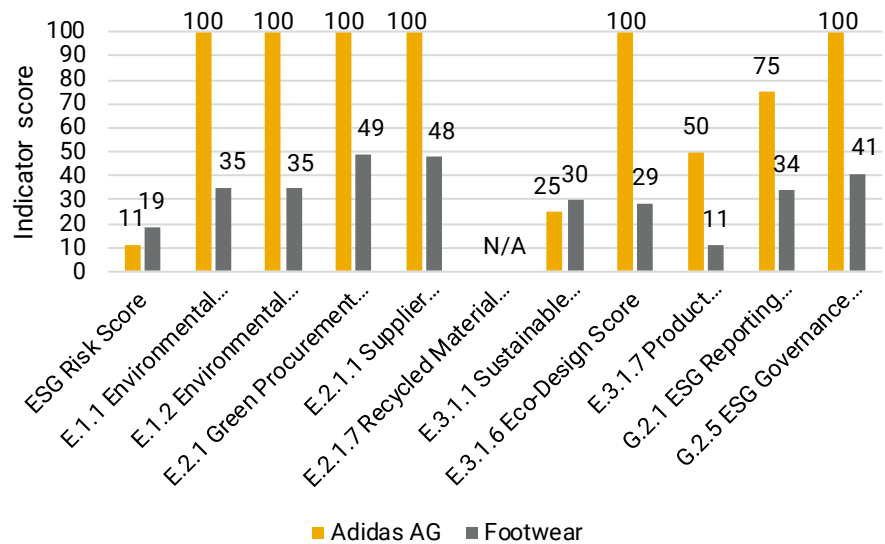
Company description

Adidas is the world's second-largest provider of athletic footwear and apparel. The company offers a range of products across two divisions: Adidas (90% of sales) and Reebok (10%).

ESG analysis: 9/10

As shown in Figure C.2, Adidas outperforms eight of 10 applicable subindustry benchmarks. Its high scores on environmental metrics reflect the firm’s life-cycle approach to many of its products: when evaluating the sustainability of materials, the company considers factors such as land use, elimination of hazardous substances, animal welfare and energy and water consumption. The most commonly used sustainable materials are recycled polyester, recycled rubber, organic cotton, “Better Cotton,” PLA, TENCEL (a fibre made from wood pulp), non-mulesed wool for apparel and leather.

Figure C.2: Adidas vs Footwear



Source: Sustainalytics

Extent of blue initiatives

In 2017, Adidas sold a million pairs of shoes made from recycled ocean waste, the equivalent of eleven million plastic bottles retrieved from coastal areas. Following pilot takeback programmes in Canada and Brazil, Adidas has proceeded with takeback programmes in stores in New York, Los Angeles, Paris and London with the objective of raising awareness about what happens to products at the end of their life. The company announced in July 2018 that by 2024 it will only use recycled polyester in all its shoes and clothing. This is an ambitious target; even if the firm meets its goal of 11 million pairs of recycled shoe sales next year, that would only account for 3% of its annual footwear production.³⁹

Alfa Laval AB – treating water

Company description

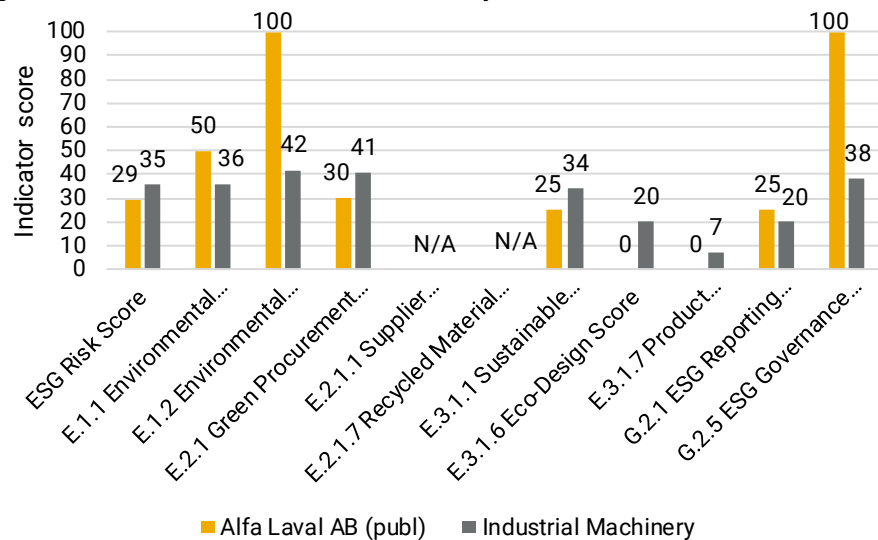
Alfa Laval is an industrial machinery company that has four segments: Heat Transfer Products (such as heat exchangers often from one liquid to another), Separation (dominated by high-speed separators and decanter centrifuges), Fluid Handling (pumps, valves and installation materials) and Other. The

company offers several water treatment products, such as separation centrifuges that are used in dewatering of sludge in wastewater treatment plants. It also offers other technologies for biological wastewater treatments to remove nutrients, organic matter, fats, oils and grease. It also produces a membrane bioreactor system that combines secondary and tertiary wastewater treatment.

ESG analysis: 5/9

As shown in Figure C.3, Alfa Laval outperforms its subindustry benchmark on five of nine applicable benchmarks. The company has a strong Environmental Management System (E.1.2) and its management committee is responsible for overseeing ESG issues (G.2.1). However, there is no evidence of environmental impact being considered at the design stage of new products (E.3.1.6).

Figure C.3: Alfa Laval vs Industrial Machinery



Extent of blue initiatives

The company provided a membrane filtration system to the Roskilde Fjord project for determining the amount and type of microplastics in wastewater. However, most of the solutions offered by Alfa Laval are not directly connected to the plastic pollution.

BillerudKorsnäs AB –paper alternatives

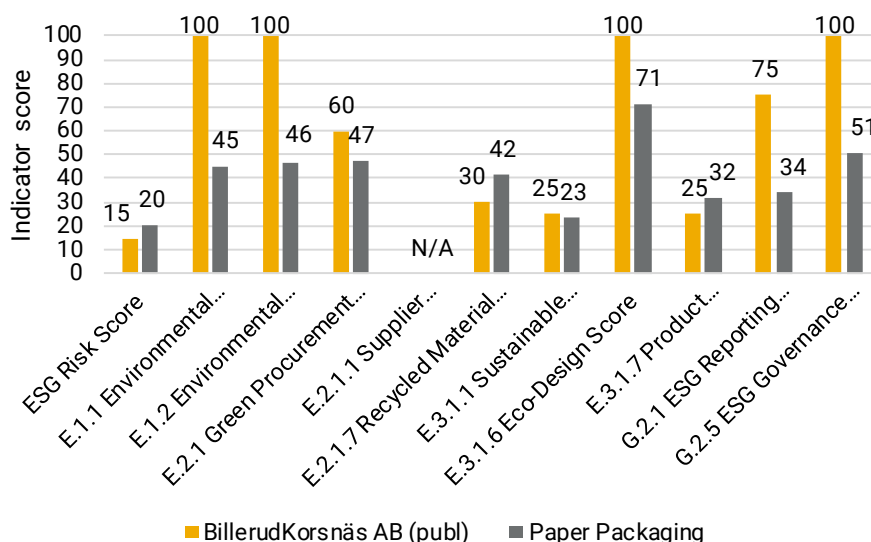
Company description

BillerudKorsnäs produces a variety of packaging, paper and board products. The firm's customers are generally packaging manufacturers, brand owners and retail and supermarket chains. Most of the company's sales come from the food and beverage packaging industry.

ESG analysis: 7/10

As shown in Figure C.4, BillerudKorsnäs beats seven of 10 applicable benchmarks with particularly strong performance on Environmental Policy (E.1.1), Environmental Management System (E.1.2), Eco-Design (E.3.1.6) and ESG Governance (G.2.1). Contributing to its perfect score on E.3.1.6, the company conducts life cycle assessments of its products to compare their environmental impacts with those of alternative packaging.

Figure C4: BillerudKorsnäs vs Paper Packaging



Source: Sustainalytics

Extent of blue initiatives

BillerudKorsnäs offers a variety of alternatives to plastic packaging, including its FibreForm paper products, QuickFill Clean and D-Sack cement sacks. BillerudKorsnäs and the Knowledge Foundation funded a study conducted at Karlstad University in Sweden that concluded that petroleum-based material used in food packaging can be replaced with a starch-based material. The study found that the new bio-based material, which is a combination of starch and other polymers, can offer a protective barrier similar to that of plastic.⁴⁰ The firm is involved in Håll Havet Rent, Sweden’s initiative to combat marine litter.⁴¹

Cathay Pacific Airways – high expectations

Company description

Headquartered in Hong Kong, Cathay Pacific Airways is one of few global carriers that has substantial exposure to the booming mainland market via its 20% stake in Air China. The company employs a dual-brand strategy – Cathay Pacific and DragonAir – the former mainly serves the long-haul global market and the latter is a regional short-haul budget carrier.

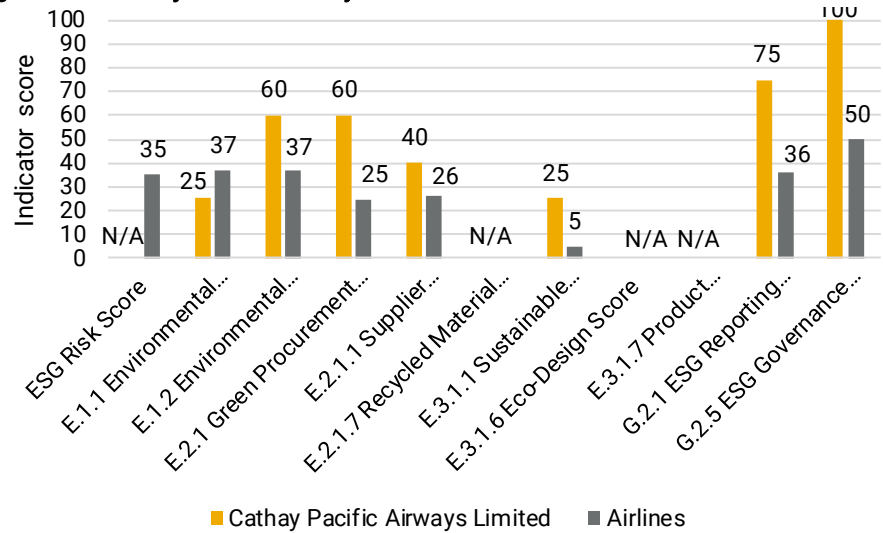
ESG analysis: 6/7

Cathay Pacific outperforms the Airlines subindustry on six of seven applicable benchmarks, as depicted in Figure C.5. The firm’s Sustainable Development Policy (E.1.1) disclosure includes a commitment to becoming an industry leader on environmental issues and contributing to reduce the industry’s impact on the environment and climate change by minimizing the use of energy and natural resources, reducing waste and improving recycling and reuse.

Extent of blue initiatives

Cathay Pacific enhances its performance by using inflight sustainable products, providing customers with meal utensils made of reusable plastics, blankets made from recycled plastic and using plastic sheets and carpets made from regenerated nylon materials, such as discarded fishing nets, fabric and carpets. It also uses bioplastics in amenity kits, biodegradable plastic bags for blankets, cutlery, magazines and duty-free purchases. In 2017, the firm recycled 612 tonnes of plastic, which amounts to 6% of the firm’s total waste profile.⁴²

Figure C.5: Cathay Pacific Airways vs Airlines



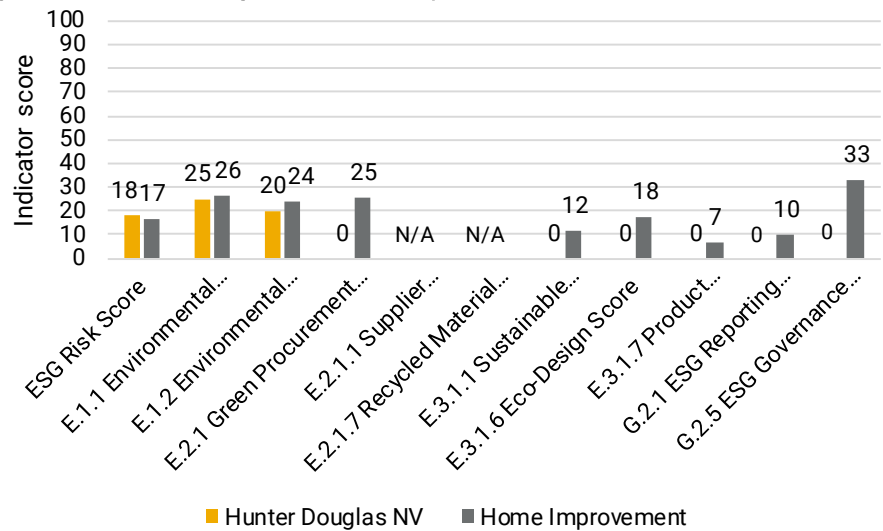
Source: Sustainalytics

Hunter Douglas NV – blue screens

Company description

Hunter Douglas is engaged in manufacturing window covering and architectural products. The company operates as a decentralized, global federation of small and medium-sized companies that manufacture and market similar products. It also manufactures sustainable sun-control solutions, suspended ceilings, ventilated facade systems and translucent materials.

Figure C.6: Hunter Douglas vs Home Improvement*



Source: Sustainalytics

ESG analysis: 0/9

As shown in Figure C.6, Hunter Douglas underperforms the Home Improvement subindustry on nine applicable benchmarks. Its score of 0 on ESG Governance (G.2.1) indicates that, based on available evidence, there is no board oversight of ESG issues and its score of 0 on ESG Reporting Standard (G.2.1) indicates that its reporting on ESG issues does not conform to international standards or best industry practices.

Extent of blue initiatives

Hunter Douglas offers window treatments, such as blinds and shades, made of GreenScreen Sea-Tex, a sunscreen fabric composed of 50% recycled ocean plastic waste recovered from shorelines and coastal communities.

Koninklijke Boskalis Westminster NV – setting sail

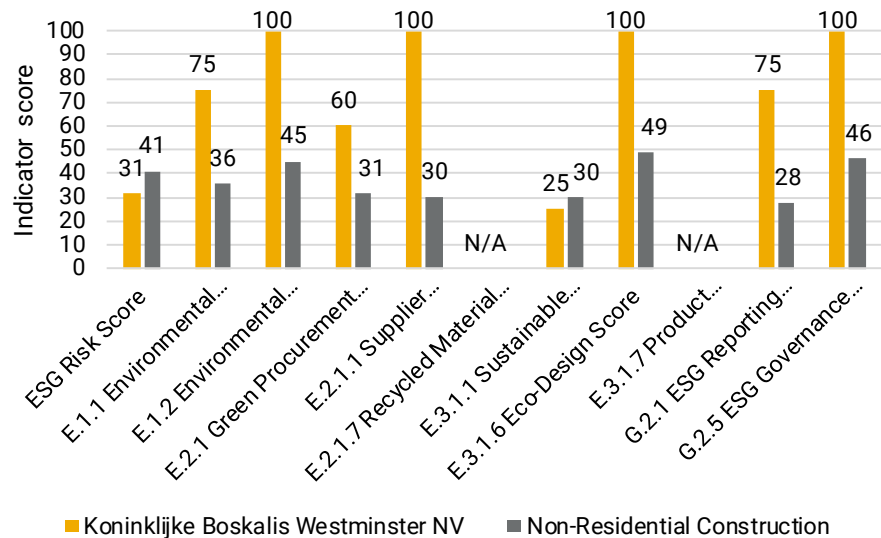
Company description

Koninklijke Boskalis Westminster offers dredging and other maritime services for the offshore energy sector and provides towage, emergency response and other salvage-related activities. The company has three business divisions: dredging and inland infra, offshore energy and towage and salvage. Customers primarily operate in the energy, port, and shipping end markets. The global company has a material presence in many regions.

ESG analysis: 8/9

Boskalis outperforms eight of nine applicable subindustry benchmarks. While its ESG Risk Score is lower than the average Non-Residential Construction company, it has an overall higher ESG risk profile than the other companies featured in this Appendix. Its performance on Supplier Environmental Programmes (E.2.1.1) is notable as the company systematically considers its suppliers’ environmental performance during procurement and it monitors and engages with companies to ensure compliance with environmental standards.

Figure C.7: Koninklijke Boskalis Westminster vs Non-Residential Construction



Source: Sustainalytics

Extent of blue initiatives

Boskalis is a major sponsor of the Ocean Cleanup and was involved in transporting and installing a prototype waste collection system designed to remove floating ocean plastics. The company contributes to the project by providing insights and expertise on the development and design of an improved prototype system to clean plastic from the Great Pacific Garbage Patch between Hawaii and California. However, the company does not derive revenues from such initiatives, so we would not consider its core business products and services as directly addressing plastic pollution.

PTT Global Chemical Ltd – “biodegradable” plastic

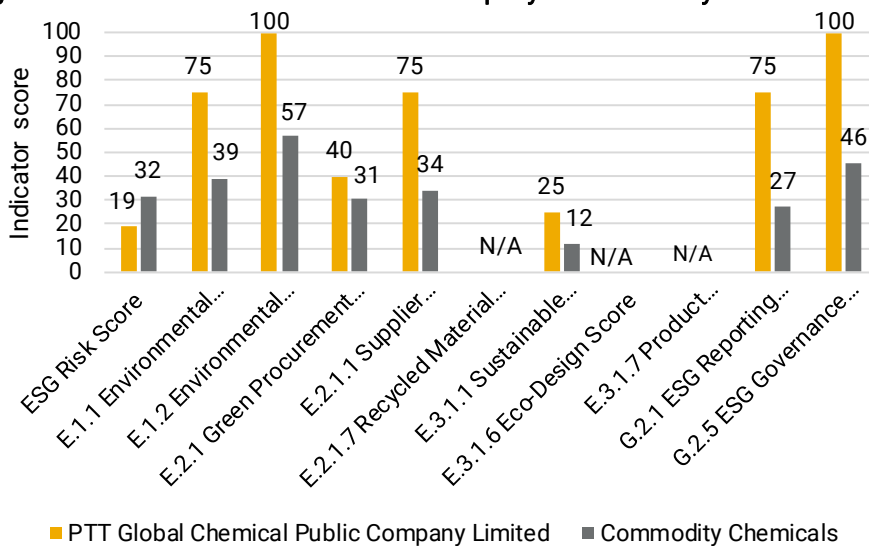
Company description

PTT Global Chemical PLC (PTTGC) manufactures and sells refined oil products and a variety of chemicals including ethylene, propylene, polyethylene, and biochemical products. The firm has seven segments based on products. The Refinery & Shared Facilities segment, which generates more revenue than its other segments, sells oil distillates, including jet fuel, diesel and fuel oil. The other six segments are Aromatics Olefins & Derivatives, EO-Based Performance, Green Chemicals, High Volume Specialties, Services, and Others. Most of its revenues come from Thailand.

ESG analysis: 8/8

PTTGC is the only company featured in this Appendix that outperforms all applicable subindustry benchmarks, as shown in Figure C.8. PTTGC reports regularly on its progress in meeting its health and safety targets. The company strives to offer products that meet customers’ sustainability expectations and produces “green chemicals” – animal or plant-based chemicals. One factor that may contribute to its strong overall ESG performance is PTTGC’s consideration of environmental and social criteria as part of the assessment of its executives, though the firm does not disclose how these factors affect overall remuneration.

Figure C.8: PTT Global Chemical Public Company vs Commodity Chemicals



Source: Sustainalytics

Extent of blue initiatives

Signalling its strategic awareness of ocean plastics, in conjunction with the Office of Knowledge Management and Development and the Thailand Creative & Design Center, PTTGC featured an exhibit of textiles made from plastic waste collected from the sea as part of the “Upcycling the Oceans, Thailand” project at Bangkok Design Week 2018.⁴³ PTTGC has exposure to the market for PLA – a biodegradable plastic with a wide range of applications – through its subsidiary Global Green Chemical PLC and joint ownership (with Cargill) of NatureWorks LLC, a major manufacturer of biodegradable polymers. Although PLA is biodegradable in soil, it could take centuries to decompose in a landfill and it is unclear how long it could take to degrade in water.⁴⁴

Endnotes

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