

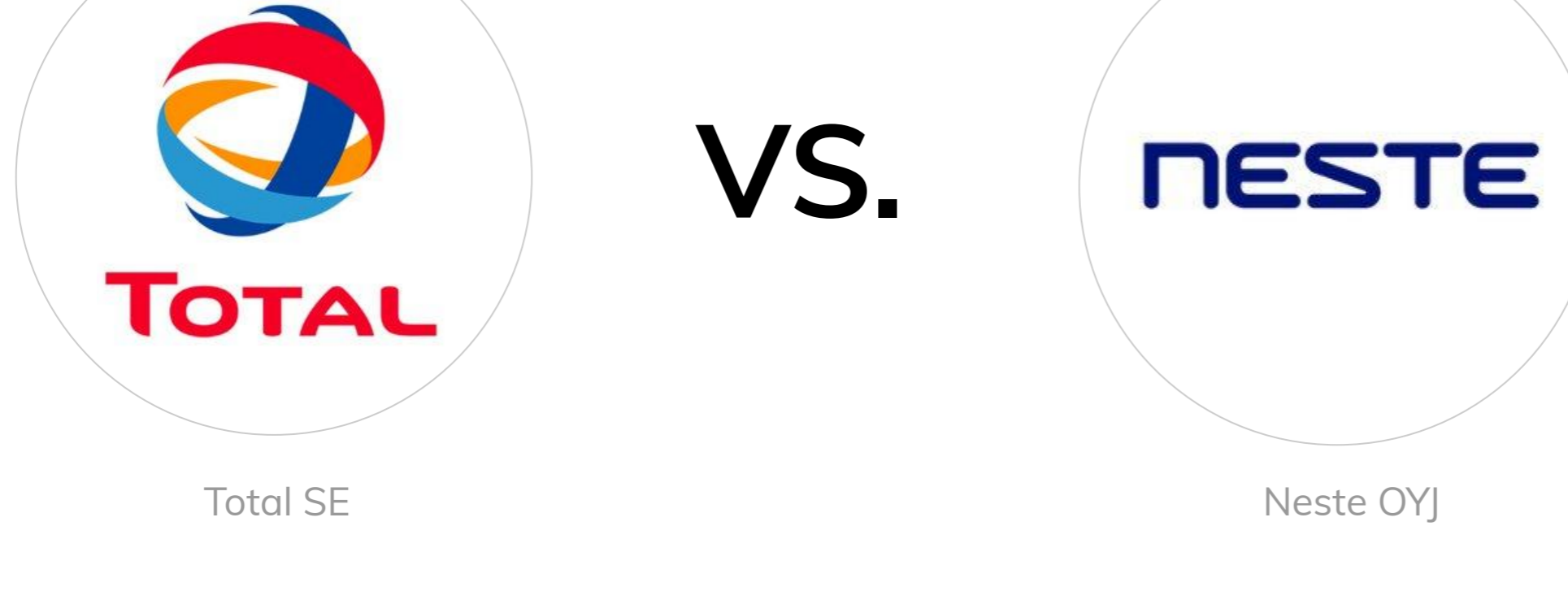
# impak Battles



**About the author** *impak*, the independent impact rating agency, regularly publishes content providing transparent data on the social and environmental impact of companies. By doing so, it aims to accelerate the transformation towards a stakeholder economy generating an overall more positive contribution to society.



**About our guest commentator** At the request of *impak*, the managers of VEGA Transformation Responsible fund – which uses the impact analysis to invest in companies generating positive impacts and minimizing negative ones – offer their analysis on the companies composing their portfolio on a regular basis. VEGA Investment Managers is a subsidiary of Natixis.\*



## The impak battle series

Since the '80s, it seems as if no other sector could better incarnate the global capitalist villain than the oil and gas industry, in particular for their role in climate change. To this day, this remains true to a lot of people, but some of these companies - extending the realm of energy - have started a clear shift towards different forms of renewable energies. With the climate and social crisis already radically changing global economies, the golden age of fossil fuel is fading away and a new mindset is taking its place. Today's face-off is about two energy companies - one, recognized as a powerhouse, and the other, the David to this Goliath: Total and Neste Oyj, which are a reflection of the current state of this essential, but controversial sector. This battle is based on the 2018 public data from both companies.

## COVID-19

Having started in 2020, COVID responses are not part of the current analysis, but given the state of things, it remains important to keep the following in mind for future impact statements and impact growth. With regards to Total's response to COVID-19 since the beginning, the Group has provided French health care establishments and senior homes with gasoline vouchers worth up to 50 million euros to be used in Total stations. The French energy company has also implemented strict measures such as dividing the number of employees by 3 in its workplaces and switching to remote work when possible. Finally, Total mentioned that it will not seek support from the French government for COVID-related financial problems. As for the Finnish Neste Oyj, it mentions having supplied more than 1.6 billion gallons of renewable diesel across various cities and businesses to keep necessary vehicles moving.

Key figures 2018 Data	TOTAL	NESTE
	Total SE	Neste Oyj
<b>impak Score™</b> 1000pts max	<b>128</b>	<b>306</b>
<b>Positive impact</b> 500pts max	0	80
<b>Negative impact</b> 300pts max	56	120
<b>Governance</b> 200pts max	72	105
<b>Total % of activities positively linked to SDGs</b>	1%	18.03%
<b>Number of Z-rated negative impacts</b>	4	0
<b>Overall ABC classification</b> <small>See Methodology commentary</small>	Z	B
<b>Turnover</b> EUR bn	209.4 bn	14.9 bn
<b>Total return</b> from Jan 1st, 2018 to Oct 30th, 2020	-26,23%	169,29%

Source: public data © impak Finance 2020

## Positive impacts

Total 0/500

Total's most significant material positive impact is the sale of renewable electricity to client companies, which represents a total of 1% of its activities. Its other positive impact accounts for 0.02% of its activities and relates to the sale of solar products to underserved populations. This last impact is rated C, which means that according to the IMP framework, it contributes to solutions (See our notes on the methodology below). The level of intentionality, reporting, and R&D for Total's second positive impact is outstanding compared to other impacts from CAC 40 companies. It is not much, but Total did it very well.

Neste Oyj 80/500 **Winner**

Neste Oyj dedicates 18.03% of its activities to three material positive impacts, which are closely connected. The Finnish company uses animal fat from the food industry's waste and vegetable oil processing waste and residues (first impact) to produce renewable energy (second impact), that is then sold to other companies, to help them limit their GHG emissions (third impact). Neste also produces biofuels from waste, but the lack of information prevents us from considering it in our analysis.

## Why VEGA chose NESTE Oyj?

The only energy company in the VEGA fund, Neste Oyj, has 70% of its revenue coming from traditional oil products. However, this number is decreasing, and most of its investments are now made in its renewable activities.

A gradual shift towards renewable energy that began more than 10 years ago resulted in the group becoming a leader in renewable diesel, a high performance biofuel developed through advanced technology, and in innovating renewable petroleum products.

Thanks to solid fundamentals, Neste's strategy focusing on high quality renewable fuel growth presents competitive benefits.

Analysis completed on 16 November 2020.

## Negative impact mitigation

Total 56/300

Out of 10 material negative impacts, 4 are rated Z, meaning that they cause or may cause harm. This high number explains why the Group has lost 100% of its positive impact score. Let's take a closer look at the Zs: one is linked to SDG 8: Decent work and economic growth and is due to the high number of short and long-term accidents and chronic illnesses within Total's workforce. A second Z regards hazardous and non-hazardous waste production, mostly due to the refining-chemistry branch which relates to SDG12: Responsible consumption and production. Total earned a third Z as it fails to acknowledge and mitigate its negative impacts on SDG 14: Life below water - mainly related to its activities on water pollution, contribution to climate change, ocean noise, etc. As for its last Z-rated impact, it relates to business ethics, an outcome of SDG 16: Peace, justice and strong institutions, and is due among other things to a fine in 2018 for a bribery case in Iran.

Neste Oyj 120/300 **Winner**

A very rare occurrence in our impak Battles, Neste has no negative impact which is rated Z, meaning they have had no convictions since 2018, and that they mitigated and reported information on their 8 material negative impacts. For a company that still produces traditional crude oil refining as a main business line, and for companies marketing fuel, lubricants, and solvents, the fact that Neste has no Z-rated impact is noteworthy.

## Governance

Total 72/200

Neste Oyj 105/200 **Winner**

This is by far the highest sub-score for Total. In fact, when looking at the details, Total scores higher than Neste for impact integration. This means that stakeholders are represented in the governance structure as governance body members, who take part to some extent in the business's decision-making process. However, Neste Oyj gets the maximum points on some aspects, notably: it clearly identifies its mission which includes an environmental and social issue as well as a solution to these issues, and it identifies the opportunities to increase positive impacts and reduce negative impact along its value chain.



## Neste Oyj wins 🎉

This battle felt as if one of the two companies already knew what the future holds and had taken actions to have its share of the pie. Without surprise, Total has an **impak Score™** of 128 out of 1,000, way below CAC 40's average **impak Score™** of 206. Although it mitigates some of its negative impacts, this and the low percentage of activities dedicated to positive impacts remain too thin to embody a significant change in the company's old habits. On the other hand, with a strong shift towards renewable energy, a clear plan to mitigate all of its material negative impacts, not a single Z-rated impact, and with an **impak Score™** more than twice that of Total, Neste Oyj is the prominent winner of this battle.

## Specificity of the sector

Energy, no matter what form it takes, is essential to human life. With the state of the world today and the phenomenal growth in sustainable investments in the last few months, presenting a mix of fright and hope for the future, most people would agree that there is a gargantuan opportunity to take on here. As a matter of fact, according to Allied Market Research, the renewable energy sector is expected to reach \$1,512.3 Billion by 2025, and the oil and gas laggards will have to decide soon enough whether they finally want a piece of that cake or not.

## Methodological notes

Data are based on both companies' 2018 public financial and extra-financial statements, compiled using impak's rating methodology available on www.impactfinance.com, and aligned with the Impact Management Project (IMP) framework.

The methodology follows the IMP classification: A (Act to avoid Harm), B (Benefit stakeholders), C (Contribute to solutions), and Z (Does or may cause harm).

It should be said that both companies count a few other potential positive impacts that were not taken into account because of a lack of information or because they represent less than 0,01% of the companies' total activities.

Note that according to our methodology, the level of penalties in case of a Z is based on 3 different factors: the type of Z (does cause harm or may cause harm), the repetition of the Z through time and, only in the case of a Z "does cause harm", whether or not corrective actions have been implemented.

Two positive impacts can overlap—for example, if the same product is certified Fair Trade AND Organic. The percentages of activities linked to these impacts are therefore not cumulative.

Duration is the timeframe for which the stakeholder experiences the outcome, and Depth is what is defined as the degree of change for the beneficiaries. Both relate to the How Much dimension, one of the 5 dimensions defined by the IMP.

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