



Korean SWF's coal investments jump 62% despite greater ESG focus

Korea Investment Corporation raised shareholdings in 12 out of 16 coal-related companies listed in the US between September last year and June, analysis shows

By Lisa Kim | October 24, 2022

Korea Investment Corporation, South Korea's sovereign wealth fund, had holdings worth US\$580.5 million in U.S.-listed companies that produce or burn coal as of June, up around 62% from last year, even as it emphasised responsible investing, according to an *Ignites Asia* analysis of the fund's U.S. **regulatory filings**.

KIC's investments were spread across 16 companies, such as Virginia power company AES Corporation, NRG Energy and American Electric Power, which are on the German environmental nonprofit Urgewald's **Global Coal Exit List**,

In September last year, KIC's holdings in the same companies totalled US\$359 million, **according to** Urgewald data on financial institutions' investments in coal companies.

From then until end-June, the sovereign wealth fund increased shareholdings in 12 out of the 16 companies, according to the *Ignites Asia* analysis.

KIC added 1.2 million shares of Houston-based CenterPoint Energy, followed by one million shares of AES Corporation and 633,000 shares of Southern Company in the cited period, analysis shows.

By investment size, as of end-June, KIC had the greatest amount invested in U.S. utility giant Duke Energy at US\$85.2 million, followed by US\$75.5 million in Air Products & Chemicals and US\$64.3 million in Southern Company, analysis shows.

Ignites Asia's analysis is based on U.S. **Securities and Exchange Commission**'s quarterly **Form 13F**, which requires institutional investment managers with US\$100 million or more in assets to report their equity securities.

It was not immediately clear what coal-related investments KIC may have, if any, in other markets.

KIC did not respond to an *Ignites Asia* request for comment at the time of publication.

KIC's investments in coal-related companies were questioned by Representative Jang Hye-yeong of the minor opposition Justice Party during the annual parliamentary audit of the sovereign wealth fund on October 19.

Jang urged KIC to withdraw its investments in coal-related companies and insisted that KIC update its investment strategy, which bans investing in companies that generate half or more of their revenues from coal.

"In case of [investments linked to] coal, we follow a set standard," Jin Seoungho, KIC CEO, **said** at the audit, referring to the sovereign wealth fund's threshold on coal-related companies.

This was the first time that KIC revealed the specific threshold.

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Jin said critics should take into account that the sovereign wealth fund could bring about positive changes in its investee firms via its participation as a shareholder.

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In its **2022 report** on sustainable investment, KIC says it has stepped up its commitment to responsible investing by establishing a responsible investment team, which

oversees stewardship activities and works on enhancing the efficiency of ESG funds; crafting a model in response to climate change; expanding partnerships for more ESG integration opportunities in and outside of South Korea.

The sovereign wealth fund has also been evaluating from early 2020 external managers' capacity to practice responsible investment by examining factors such as their ESG policies, philosophy and human resources when selecting equity and fixed-income managers, and gives higher points to outstanding managers.

KIC has applied the ESG screening process to 45 external managers that oversee its traditional assets and more than 110 alternative managers and investments it is involved in, covering investments of around US\$25 billion as of end-June, according to the sustainable investment report.

In 2019, KIC added a responsible investment clause to its investment policy statement and established guidelines for responsible investing.

KIC was not the only sovereign wealth fund that owned holdings in coal-related companies, according to Urgewald's 2021 data.



The **Abu Dhabi Investment Authority**, one of the world's largest sovereign wealth funds, had **US\$36 million** worth of investments in Australia's BHP Group Ltd. and China Coal Technology & Engineering Group Co. as of November last year, data show.

The **Kuwait Investment Authority** had **US\$150 million** in India's Hindalco Industries Ltd., while Singapore's **GIC** had **US\$2.5 billion** across six companies, including US\$780 million in India's **Larsen & Toubro** Ltd. and US\$740 million in Germany's RWE AG.

Among sovereign wealth funds, Norway's **Government Pension Fund Global**, the world's largest such fund, with US\$1.3 trillion in AUM, has been a leader in dumping investments in coal.

The fund said in a **statement** in December last year that it “will work towards a goal of net zero emissions from the properties we own in 2050 by engaging with the partners we invest with”.

In 2019, Norway's parliament passed a law requiring Government Pension Fund Global, which is built on the country's oil revenues, to dump its investments in eight coal companies.

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