

Nexans (NEX-FR) ESG Report

Profile:

Nexans designs, manufactures, and installs copper and aluminum cables for the transmission of electricity. Nexans manufactures and supplies cables to a variety of industries but prioritizes activities related to electrification, including cables for offshore wind, connecting power grids, and power transmission.

What Nexans Does Well:

In 2021, Nexans laid out a plan to transform into an electrification-only company. Since, the company has prioritized business in renewable energy, grid renewals and expansions, as well as subsea energy transmission to connect grids. The company has and continues to divest businesses outside of this core business, including their telecommunications and oil and gas related cable businesses. The company aims to generate all revenues from electrification activities by the end of 2024.

Not only does Nexans manufacture and supply cables, but the company has been investing in cable recycling since 2008. The company has offered internal recycling programs for customers since 2017, incentivizing customers to recycle old cables in exchange for preferential treatment during times of constrained supply. The company has also had a joint venture (JV) with Suez since 2008. The JV has led to 36,000 tons of copper cables collected and reused annually.

Our firm also notes the company has successfully negotiated and retained staff employed by unions. Most recently, the company signed two agreements in Canada that will increase salaries for the next three years.

Nexans also placed in the top 11% of electricity companies on Carbon Disclosure Project (CDP) rankings. The company is aiming to be carbon neutral by 2030.

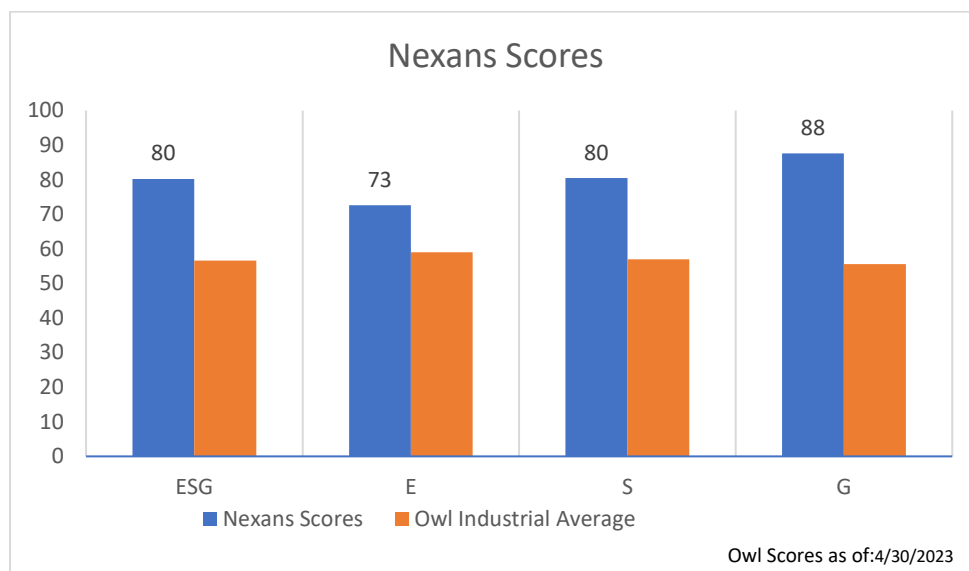
Concerns:

Our firm's biggest concern with Nexans is the exposure to mining. While the company does not own or operate any mines, Nexans does operate four copper mills to manufacture cables for the business; the mills are in Chile, Peru, Canada, and France. Nexans has a Conflict Minerals policy for all suppliers, stating that all mining partners must meet the international standards on child labor, forced labor, and financing of armed groups. While our firm is encouraged by the policy, there could nonetheless be hidden liabilities from suppliers.

Shareholder Engagement:

None.

ESG Scores:



Conclusion:

Overall, our firm believes Nexans is facilitating the global movement away from fossil fuels towards electricity. While the business is still evolving, Nexans is progressing towards being a pure play on electrification. Therefore, our firm believes Nexans is an attractive opportunity for clients looking for ancillary exposure to renewable energy.

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