

# SUSTAINABLE INSIGHTS: 2015



EDITION II

January 2015

*This year we provide seven sustainable insights for 2015. Like [last year](#), we will review them at both mid-year and year-end, revealing our successes and shortcomings.*

- 1 Sustainable Financial Products.** We anticipate a boom in the diversity of sustainable products from the financial industry. Not only do we expect the variety and growth of products to increase, ranging from the plain vanilla green bonds to the more esoteric conservation impact investing, but also in their geographical reach. Furthermore, we believe that the definitions of many of the leading sustainable products will become more transparent. This clarity will be welcomed by investors.

---
- 2 Climate change agreement.** 2015 is expected to be a big year for global climate change policy. Anticipation for an international agreement at the Paris Conference<sup>1</sup> in December is running high. We expect to see some fracturing of the usual developed versus developing nations alliances. We anticipate that China will stick with its bilateral US emission agreement, making Australia's reversal of climate policies uncomfortable, while India will make economic growth its priority rather than emission limits. We do expect an agreement in Paris, based on 'intended nationally determined contributions' (INDCs), rather than a common target.

---
- 3 The overuse of antibiotics.** It has been rumbling on for some time, but we expect the overuse of antibiotics to be prominent in the headlines of 2015. Perhaps the term 'antibiotic abuse' will enter the public mainstream. If we are right, expect the spotlight to move to animal husbandry as well, where the vast majority of antibiotics are used. The present use of antibiotics appears unsustainable<sup>2</sup> giving concerns about drug resistant diseases such as malaria. Let's hope that superbugs remain in the realm of the film industry rather than hospitals, but we are not optimistic.

---
- 4 Water and the corporates.** We forecast that the management and treatment of water will rapidly rise up the agenda of many corporates. We expect growing demand from investors in relation to water scarcity, quality and the regulations affecting it, an issue that SASB<sup>3</sup>, the Climate Disclosure Standards Board<sup>4</sup> and CDP<sup>5</sup> are all tackling. It is not only environmental pressures that will drive this issue, but the constraints to corporate growth and rising costs that will turn this into a board level issue.

---
- 5 The value of big data.** Big data has been a popular part of the digital revolution for a couple of years, but we are still learning how to make the most of it. Expect its use to become more widespread as organizations make additional datasets available; a number of cities are already benefiting. Also expect more sources of big data to emerge. The use of mobile phone data is being used in the Ebola epidemic. Drones may also assist in its collection. Presently we see urban centers, land use, water management, disease and demographics as significant beneficiaries. Big data is likely to be needed to help measure progress in the UN sustainable development goals<sup>6</sup>, set for final approval in September 2015.

CONTINUED ►

- 6 **Exporting pollution.** Could there be an unintended consequence to a new international climate change agreement? We fear there will be. One way to achieve economic growth and meet national emission targets is to build smokestack industries in other countries and to export fossil fuels for others to use. There are moves to help with some toxic wastes – e.g. E-Waste<sup>7</sup> – but offers to build industrial complexes and provide employment in countries that are economic laggards will be a tempting tactic.
- 
- 7 **The economics of sustainability.** We anticipate a rising profile in the economics of sustainability. Expect to hear more about how to measure progress<sup>8</sup> or national accounts<sup>9</sup> (e.g. GDP) – should this involve human capital or resource depletion, for example? It is being investigated in other branches of the discipline such as behavioral economics. Additionally, expect more cross-fertilization of ideas. Economists looking to calculate the long-term ‘value’ of climate risk have turned to the real estate market for tools. In Addis Ababa, the Third Conference on Financing for Development<sup>10</sup> in mid-2015 may provide a stimulus.

#### References

- 1 [http://unfccc.int/meetings/unfccc\\_calendar/items/2655.php?year=2015](http://unfccc.int/meetings/unfccc_calendar/items/2655.php?year=2015)
- 2 <http://www.who.int/drugresistance/diseases/en/>
- 3 <http://www.sasb.org/sectors/infrastructure/>
- 4 <http://cdsb.net/priorities/framework-expansion>
- 5 <https://www.cdp.net/en-US/Pages/events/2014/cdp-water-report.aspx>
- 6 [http://sustainabledevelopment.un.org/content/documents/5527SR\\_advance%20unedited\\_final.pdf](http://sustainabledevelopment.un.org/content/documents/5527SR_advance%20unedited_final.pdf)
- 7 <http://www2.epa.gov/international-cooperation/cleaning-electronic-waste-e-waste>
- 8 <http://www.skollfoundation.org/economic-growth-does-not-automatically-lead-to-social-advancement-new-social-progress-index/>
- 9 <http://mgiep.unesco.org/wp-content/uploads/2014/12/IWR2014-WEB.pdf>
- 10 <http://www.un.org/esa/ffd/overview/third-conference-ffd.html>

# SUSTAINABLE INSIGHTS: 2015



EDITION II

January 2015

## DISCLAIMER

This material has been distributed by Sustainable Insight Capital Management, LLC ("SICM") for informational purposes only. Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Investment strategies implemented by SICM on behalf of its clients may or may not trade or hold positions in the securities referred to above. Further, investment accounts managed by SICM may or may not employ strategies based on or related to the above research. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

Certain information included in this document is based on information obtained from sources considered to be reliable. However, any projections or analyses provided to assist the recipient of this presentation in evaluating the matters described herein may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results. Accordingly, any projections or analyses should not be viewed as factual and should not be relied upon as an accurate prediction of future results.

Forward-looking statements. "Forward-looking statements" (including SICM's opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results) contained in the Presentation are based on a variety of estimates and assumptions by SICM, including, among others, estimates of future operating results, financial condition and liquidity, and the development of the industry discussed above. These statements generally are identified by words such as "believes," "expects," "predicts," "intends," "projects," "plans," "estimates," "aims," "foresees," "anticipates," "targets," and similar expressions. These estimates and assumptions are inherently uncertain and are subject to numerous business, industry, market, regulatory, geo-political, competitive and financial risks. There can be no assurance that the assumptions made in connection with the Forward-looking statements will prove accurate, and actual results may differ materially, including the possibility that an investor may lose some or all of any invested capital. The inclusion of the Forward-looking statements herein should not be regarded as an indication that SICM consider the Forward-looking statements to be a reliable prediction of future events and the Forward-looking statements should not be relied upon as such. None of SICM or any of their respective representatives has made or makes any representation to any person regarding the Forward-looking statements and none of them intends to update or otherwise revise the Forward-looking statements to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the Forward-looking statements are later shown to be in error.

SICM expressly prohibits any redistribution of the document without the prior written consent of SICM. The document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to law, rule or regulation.

The document is not intended to provide, and should not be relied upon for, tax, legal, regulatory, financial, accounting or investment advice. Any statements of tax consequences contained in the Presentation were not intended to be used and cannot be used to avoid penalties under the applicable tax laws or to promote, market or recommend to another party any tax related matters addressed herein.