

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING JUNE 30, 2017 EDITION 200



### LETTER FROM THE EDITOR

Dear Subscribers,

First, we want to thank you for subscribing to our weekly Sustainable Insights newsletter. This week we celebrate a milestone—our **200th edition!** Since our 100th edition, we've written about a range of [topics](#) including: Climate Change (59 times), Sustainable Investing (43 times), Food and Agriculture (22 times), and Corporate Governance (16 times). As always, we enjoy hearing from our subscribers about our coverage so please don't hesitate to provide feedback.

### ELECTRIC CARS AND TAXES

*Will electric vehicles create a tax problem?*

The UK may lose up to £170bn in tax revenues between now and 2030 because of declines in fuel duty as electric vehicles become more popular. A recent [report](#) said the government had "failed to grasp the fiscal implications of the expected shift from petrol and diesel vehicles in coming decades." [READ MORE](#)

### FSB ON CLIMATE CHANGE

*Task force makes recommendations*

In December 2015, the FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop a [voluntary standardized framework](#) for businesses to disclose climate-related financial information to their investors and clients. This week the FSB accepted the recommendations set forth by the TCFD on effective disclosure of climate related financial risks.

The [report](#) includes recommendations in four areas: governance, strategy, risk management, and metrics & targets. The work done by the Task Force highlights the potential risks and benefits to transitioning to a lower carbon economy, and the impact of climate change becomes ever more pertinent.

### WE'RE WATCHING

Poor performing Japanese companies are expected to come under intense scrutiny by investors in the upcoming AGM season. CEOs of hundreds of companies not meeting their ROE targets could be voted out. [READ MORE](#)

### THIS WEEK IN NUMBERS

19,000

acres of California has been scorched so far this year by wildfires, a threefold increase

10,000

USD may be the subsidy that California offers to buyers on electric vehicles

5,600

sq km (2,162 sq miles) per year is the shrinkage of forest in the Congo Basin

2020

carbon and energy reduction target has already been reached by Zurich, the insurance company

75

percent of US defined contribution pension plan participants want more socially responsible options

40

percent of China's animal waste is left untreated and unutilized

22

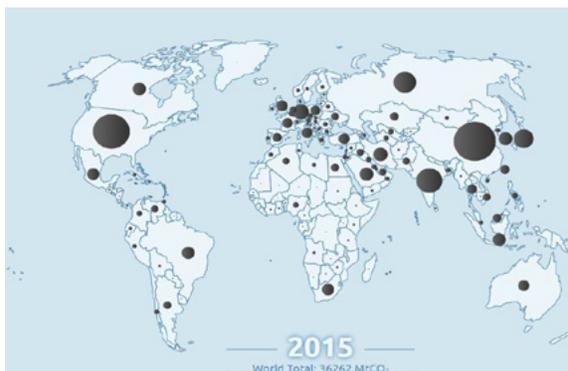
percent decline in CO<sub>2</sub> emissions has been achieved by Virgin Atlantic in 9 years

12

million diesel cars to be recalled in Germany by Transport Ministry

### INFOGRAPHIC OF THE WEEK

*Fossil fuel emissions in 2015 by Global Carbon Atlas*



Source: [Global Carbon Atlas](#)

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### PENSION FUNDS IGNORE DATA

*Only 5 percent incorporate climate risks*

[Mercer's European Asset Allocation Report](#) revealed recently that only 5% of European pension funds have incorporated climate related risks into their investment approach.

The findings surprised many including Mercer's Global Director of Strategic Research who responded, "The report findings highlight the need for the industry as a whole to do more; it's ironic that the pace of response to this enormous issue is best described as glacial, outside a small group of leading funds."

The 2017 report, however, noted an increase in the number of European pension schemes factoring ESG criteria into their investment process. The reasons for the increase range from value based change to reputational risk, highlighting the growing societal awareness around climate change.

### GOOD NEWS...

Baking soda may help in the fight against superbugs. Researchers are using it to test superbugs in order to better simulate how superbugs would behave in humans. [READ MORE](#)

### ... AND BAD NEWS

Increased plastic pollution in UK waterways is poisoning sea birds. [READ MORE](#)

### THE VALUE OF ESG DATA

*New study links ESG to higher ROE*

Bank of America Merrill Lynch has put out a [new study](#) which finds that stocks with high environmental, social and governance (ESG) scores have signaled a higher return on equity (ROE) across sectors.

The report notes that "ESG is the best signal we've found for [future risk](#). Prior to our work on ESG, we found scant evidence of fundamental measures reliably predicting earnings quality."

"But ESG may isolate non-fundamental factors that have real earnings impact: ESG has been a better signal of future earnings volatility more than any other measure we have looked at both at a market level and at a sector level."

### TERM OF THE WEEK

Pandemic Bond.

A financial product designed to combat infectious diseases. The World Bank launched the first-ever 'pandemic bond' on Wednesday, raising \$322m in two separate three-year issues.

[READ MORE](#)

### WHAT WE'RE READING



The Bank for International Settlements (BIS) warns on long-term risks to sustainable growth  
[87th Annual Report](#)

### BELIEVE IT OR NOT

The next renewable resource is... ants? Students have created the first bus that runs on formic acid – a sustainable, renewable resource found in nature (specifically in the stings and bites of ants and other insects).

[READ MORE](#)

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