

INSIGHTS

For the Mainstream Investor

WEEK ENDING NOVEMBER 3, 2017 EDITION 218



ESG QUALITY

The investment effect

A [report](#) by BCG Henderson Institute, claims that many corporates are moving away from a single focus on maximizing total shareholder return, a model which leaves NGOs and Governments to address societal challenges. The authors state that a rethink is underway, driven by stakeholders, ranging from employees to customers.

Also, investors are demanding more focus on companies' social and environmental practices' while ESG standards are being developed to permit more scrutiny. Corporates are encouraged to focus on Total Societal Impact (TSI). When examining a company's valuation the study shows that 'non-financial performance was statistically significant in predicting the [valuation](#) multiples of companies in all industries analyzed'.

WORTH A LOOK

Comparing the night sky over Africa in 2030 with today. Follow this [link](#) from the IEA.

DUAL CLASS VOTING

A negative for governance

Are [exchanges](#) weakening on the blocking of dual-class share structures? Hong Kong, Singapore and London would not permit them, while a range of European bourses and the US do. However, the nay-sayers look to be buckling.

[Hong Kong](#) is reportedly considering the acceptance of multiple share classes on the main board, next year.

With a number of Chinese IPOs in the pipeline, it may be too much for Hong Kong to resist, which could in turn force Singapore to reconsider. This is disappointing for some institutional investors that forced a backdown by [Facebook](#) on a share reclassification in late September. It also gives the index companies a problem on whether to include such companies in their indices.

THIS WEEK IN NUMBERS

90,000

people died from measles in 2016, a 84% decline on the number in 2000

45,900

die from snakebites in India annually

2018

is the year in which the Saudi Arabian Government will let women enter sports stadiums

95

percent increase in US solar capacity in 2016 over the previous year

82

percent growth in Bitcoin skilled people, in the last 3 months, was the fastest growing emerging skill in Q3 2017, according to [Freelancer](#)

75

percent on non-communicable diseases (e.g. cancer) are in low and middle-income countries

35

billion US\$ per year to 2050 will be needed for US disaster programs according to the Government Accountability Office

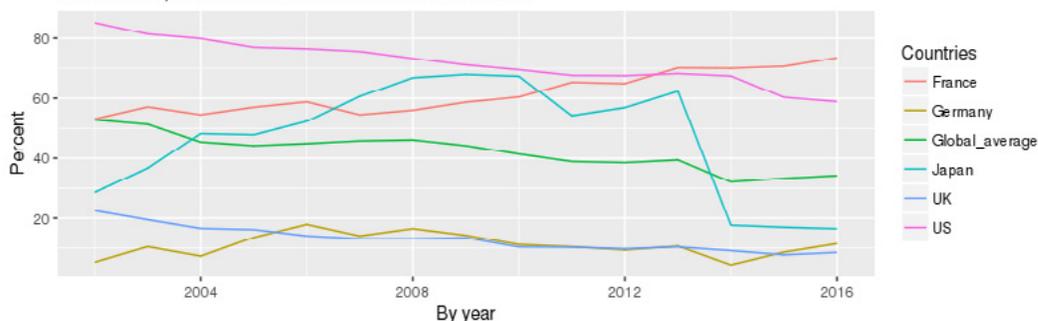
30

asset manager groups have joined forces to file shareholder resolutions to discover how boards are managing the legal, financial and reputational risks associated with opioids

INFOGRAPHIC OF THE WEEK

Separation of CEO and chairman roles

Percent of companies with chairmen who are or were also the CEO



@LThomas12, Source: Thomson Reuters ESG data

Source: [Reuters](#)

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COMPENSATION TRANSPARENCY

Ready? Probably not

An [MSCI](#) study warns that US CEO pay and long-term investment returns may be misaligned. The analysis focuses on realized pay, as opposed to just awarded pay which is based on the value of company stock at the grant date. Realized pay looks at how much CEOs actually received when the grants were exercised. The study concludes that 'realized pay was even more out of whack than awarded pay'.

It found that 60% of the MSCI USA constituents had cumulative 10-year realized CEO pay totals 'that were poorly aligned with the company's 10-year total shareholder return performance', over the 2006-2015 period. US companies should be cautious as next year they will be required to [file](#) with the SEC the median employee compensation as well as that of top executives.

KEEPING AN EYE ON

Apple has asked the SEC if it can exclude a shareholder proposal that relates to how [diversity and sustainability](#) related to C-suite compensation. The exclusion request is based on the fact that similar requests have not raised the minimum 6 percent of shareholder support.

BAD NEWS

The post antibiotic age remains a real [possibility](#). Deaths from superbugs, which are resistant to antibiotics, could rise tenfold by 2050, if action is not taken now, according to the National Institute of allergy and Infectious Diseases ([NIAID](#)).

GPIF REVISES INVESTMENT RULES

ESG included

The world's largest pension fund, the Government Pension Investment Fund (GPIF) of Japan, has [changed](#) its investment principles to include ESG factors. The GPIF stated in a tweet that 'Incorporating ESG in every asset class, we aim to maximize long-term returns'. In order to be clear with its definitions, it states that sustainability equals ESG.

The GPIF had already announced in October that it was teaming up with the [World Bank](#) to research practical ways to 'promote strategies for including environmental, social and governance criteria in investment decisions across asset classes'. The press release adds, 'Ultimately, the aim is to direct more capital towards sustainable investments'.

DID YOU SEE?

Sea levels may [rise](#) by more than previously forecasted and at a faster rate, say recent [analyses](#). Clearly, the sea level rise models are sensitive to actual emissions in the future, but under a worse case scenario the former 3 feet expectation could be double.

WE'RE WATCHING

Will Canadian regulators step up the pressure on companies to address the [gender imbalance](#). Ontario Securities Chair, Maureen Jensen, stated that progress was slow and it has now been three years since the regulator introduced a comply-or-explain rule for all listed Toronto Stock Exchange companies. Overall, 14% of all board seats are held by women according to the Canadian Securities Administrators ([CSA](#)).

READING LIST



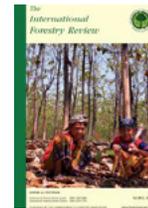
[Greenhouse gas concentrations surge to new record – World Meteorological Organization](#)



[Shareholder resolutions in Australia – Australian Council of Superannuation Investors](#)

[McKinsey&Company](#)

[From 'why' to 'why not': Sustainable investing as the new normal – McKinsey&Company](#)



[The international Forestry Review – Commonwealth Forestry Association](#)

BELIEVE IT OR NOT

The US solar industry employs 260,000 workers, more than Apple, Google and Facebook combined. [READ MORE](#)

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