

INSIGHTS

For the Mainstream Investor

WEEK ENDING FEBRUARY 9, 2018 EDITION 231



INTEGRATED REPORTING PUSH

Japanese promotion

The Government Investment Pension Fund of Japan (GPIF) is promoting integrated reporting – the combining of financial and ESG data provided to shareholders. GPIF requested that its 16 external managers, which run domestic equity investments, ‘each nominate up to 10 excellent integrated reports and 10 most-improved integrated reports’. The GPIF then published the results on its website. Five companies were listed as having excellent reports: Ajinomoto Co., Konica Minolta, OMRON Corp (which was also noted as one of the most improved), ITOCHU Corp. and MARUI Group. For each of these companies it then provides notes on why their reports are deemed excellent. For example, on OMRON Corp it states, ‘Both financial and sustainability goals are indicated for each business segment, along with their relevance to SDGs’. Four companies were commended for the greatest improvement and comprised Daiwa House Industry, Sumitomo Metal Mining, OMRON Corp and Sumitomo Corp.

DID YOU SEE?

Tesco, the UK supermarket chain, is facing allegations of unequal pay. Women are claiming unfair discrimination. This could cost the company about GBP 4 billion (US\$ 5.5b). The legal case will test the definition of the law which states ‘work of equal value’ should be paid the same.

CARBON EFFICIENCY PAYS

But investors ignore this

A research paper – Is ‘Being Green’ Rewarded in the Market? – by academics at Stanford University and Yonsei University, investigated the risk-return relationship of low carbon and characteristics of carbon-efficient firms. They used a statistically significant number of 74,500 observations of US firms between 2005 and 2015. A carbon efficient-minus-inefficient portfolio by carbon intensity, revenue adjusted GHG emissions at a corporate level.

The research found that ‘an investment strategy of long carbon efficient firms and short carbon inefficient firms would earn abnormal returns of 3.5-5.4% per year. The researchers comment that these returns cannot be ‘explained by well-known risk factors’. Of further interest is the comment by the researchers that ‘carbon-efficient firms are likely to be ‘good firms’ in terms of financial performance and corporate governance’. The paper is critical of fiduciaries ignoring such issues describing it as ‘particularly nefarious’.

WORTH NOTING

In case investors still doubted the financial impact of poor corporate governance, witness the recent effect on Wells Fargo. S&P has just cut the credit rating of the company following regulatory restrictions imposed by the US Federal Reserve. The long term credit rating was downgraded to ‘A-’ and the short term to ‘A-2’.

THIS WEEK IN NUMBERS

10,000 jobs were lost in the US solar industry in 2017, as installations slowed down particularly in California and Massachusetts

2020 is the date by which Dunkin’ Donuts will have all paper coffee cups

50 % is the reduction in carbon as proposed by the Public Utilities Commission of California by 2030, compared to 2015 levels

50 % was the growth in new solar PV capacity globally, with China accounting for half of this

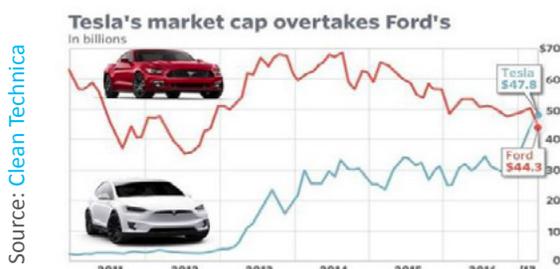
50 % of women who work in STEM (science, technology, engineering or maths) have experienced gender discrimination at work

33 % of UK workers believe their employers should pay them for keeping healthy

1.6 billion people live in areas of economic water shortage and 2 billion in areas of scarcity

1.1 trillion tonnes of proven coal reserves worldwide

INFOGRAPHIC OF THE WEEK



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EXXON MOBIL GOES QUIET?

More transparency please

Recently, ExxonMobil just held its [fourth quarter earnings](#) conference call. However, as usual, senior management did not turn up to answer [questions](#); this is left to the VP of Investor Relations. However, when analysts are questioning the future of the world's premier oil company, a change of heart may be required by the oil major, bringing it into line with its peers. Sell-side analysts have been suggesting that more access to senior executives may help the company. Although other oil majors – Shell and Chevron – missed cash flow forecasts as well, Exxon appeared to have suffered the most in terms of share price. The Analysts' Day on March 7th, when the CEO does turn-up, appears to be all-important.

IN CASE YOU MISSED IT

[Germany's new government](#) looks to have agreed the formation of a new coalition between the Christian and Social Democrats. So what has been agreed on climate initiatives, which caused coalition with the greens to collapse? There will be no timetable for the phasing out of coal-fired power generation, however the share of renewables is expected to rise to 65% by 2030.

WORTH A LOOK

An [analysis](#) by Climate Central, made available in an interactive tool by Surging Seas, shows the effect of sea-level rises and flooding on neighborhoods in the US. It shows how much of the population is affected. The analysis points out that nearly 5 million people live in 2.6 million homes which are less than 4 feet (1.2 metres) above high tide.

BELIEVE IT OR NOT

Painting an aircraft adds between 273 and 544 kg and therefore increases fuel consumption. That equates to adding between 4 and 9 passengers, using the average weight of an adult being 62kg.

[READ MORE](#)

BIODEGRADABLE PLASTICS

It's complicated!

With the increasing focus on plastic pollution it is inevitable that the more environmentally focused producers and consumers will start considering alternatives such as biodegradable, bio-plastics or compostable ones. [Axion](#), a circular economy company, questions whether these products really are environmentally-friendly. [Bio-plastics](#) are made from renewables feedstocks rather than coming from oil. They have the advantage of being recyclable as well. However, conventional plastics are a by-product of oil-refining and this will continue while oil remains such a dominant part of the economy. So is it better to use these oil by-products or let them go to waste? Furthermore, [Axion](#) explain that 'bio-plastics are not free of environmental impact'. They point to the carbon emissions associated with the growing of the crops then converting these into the required chemicals. What is needed is 'infrastructure investment, public education and behavioral changes' then the consumer will learn how these packaging products can be recycled.

YOU HAVE BEEN WARNED

The European Union will only make trade deals with countries that have [ratified](#) the Paris Climate Agreement. A spokesperson for the European Commission stated, 'it would be difficult to imagine concluding an important trade deal without an ambitious chapter on trade and sustainable development attached to it'. The US is the only country to have said it will opt out of the Paris Agreement.

READING LIST

Carbon pricing can spur economic growth more than we thought, says new research
[Oxford Martin School](#)

CCS is essential to climate change mitigation
[World Coal Association](#)

LISTENING LIST



Gender Pay Gap – More or Less: Behind the Stats
[BBC World Service](#)

Skills for the Future – In the Balance:
[BBC World Service](#)
[BBC World Service](#)

WATCH LIST



[IEA: Renewables 2017: A new era for solar power](#)

IMAGES OF THE WEEK



7 pictures to put plastics in perspective
[Greenpeace](#)

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