

INSIGHTS

For the Mainstream Investor

WEEK ENDING MARCH 2, 2018 EDITION 234



CORPORATES SETTING THE POLICY

Stepping into the breach

Do politicians set policy or someone else? Maybe [corporates](#) will now fill the gap where politicians fear to tread, if the recent trend in the US is a leading indicator. Since the tragic Parkland School shooting in Florida, a number of major US corporates have made public statements about weapons. Companies including Delta Air, Dick's Sporting Goods, Hertz Global, The Kroger Co. and Walmart have all made public comments about the kind of guns they will sell and to which customers. For example, Kroger Co. has announced it has [stopped](#) selling firearms to those under the age of 21.

Some asset managers have also issued statements. While Blackstone has asked external managers for transparency on their firearms investments, [BlackRock](#) stated that it will engage with gunmakers to understand their response to the shooting. Maybe the words of Abraham Lincoln remain as relevant as ever – 'I never had a policy; I have just tried to do my very best each and every day'.

ESG IN EUROPE

Pension funds push back

Europe continues to push ahead with a sustainable agenda with the European Commission and Parliament supportive of further measures, as was evident in the appointment and subsequent report from the [High-Level Expert Group \(HLEG\)](#) on sustainable finance. However, pension funds are now making themselves heard and are issuing warnings. [PensionsEurope](#), a regional body for the pensions industry, has [cautioned](#) about the present approach.

It recognizes that pension funds need to take into account sustainability factors but 'a prescriptive, mandatory approach would not be able to take account of the diversity of existing approaches'. The body believes that institutional investors and asset managers generally understand the materiality of sustainability risks but a mandated approach might 'lead to misallocation of capital and might give rise to concerns about financial stability'. Short-term factors must still be considered by the pension industry says PensionsEurope.

THIS WEEK IN NUMBERS

2017

coal consumption in China rose after three years of decline

100

plus cities worldwide now source more than 70 percent of their power from renewable sources

94

billion US\$ is the cost estimate for 125 of the world's major companies to meet their pledge to source exclusively from renewable sources

49

percent increase in alcohol abuse since 2001-2002 has been recorded in the US

3

countries led the expansion in renewable energy in 2016 – China, US & Canada

2

oil companies (Royal Dutch Shell and ENI) are to be tried over an alleged failure to prevent bribery related to the purchase of the Nigerian oil field, OPL

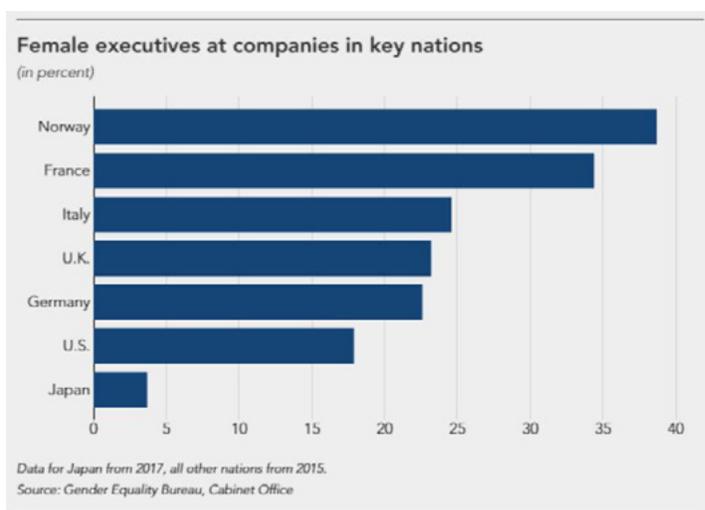
1.9

trillion US\$ is the assets under management of the Wells Fargo wealth management division now under regulatory scrutiny

1

supermarket in the Netherlands is now trialling plastic-free aisles, offering over 700 products

INFOGRAPHIC OF THE WEEK



Source: Asian Review

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UK REGULATOR'S GUIDANCE

Reinforcing climate risk

The UK's Pensions Regulator (TPR) has informed a UK Parliamentary Environment Audit Committee that it will be reinforcing its climate risk warnings to workplace pension schemes. TPR is concerned that trustees of these schemes are 'behind the curve'. Although TPR accepts that climate risk considerations take time to evolve – it refers to this as a 'journey' – it now believes the time is correct to change 'that information into guidance'.

TPR has previously issued [guidance](#) on ESG issues, arguing that 'most investments in DC schemes are long term and are therefore exposed to longer-term financial risks'. It states that one of these risks could 'potentially include...climate change, unsustainable business practices, unsound corporate governance etc.'. Earlier, the Committee had been [told](#) that corporate climate disclosure should be made compulsory.

LARGER AND LARGER

[Hong Kong](#) is set to issue the largest sovereign bond to date with a planned HK\$100bn (US\$12.8bn) in the pipeline. Still to be approved by the Legislative Council, the deal is expected in 2018/9. The funds are to be channeled to green public works projects.

DID YOU SEE?

US bases are threatened. The enemy is climate change as it causes sea levels to rise. A recent [report](#) by a panel of retired military personnel notes that the US military has 1,774 coastal sites globally. The report warns that climate change will affect 'the ability of U.S. military forces to fulfil mission requirements will likely be hindered by greater costs, delays, and insufficient assets at critical junctures'.

RENEWABLE GROWTH

Where is the capacity?

There is no doubt that there is an ongoing renewable energy capacity [surge](#). However, it is dominated by three countries, together accounting for two-thirds of this growth. Again, causing little surprise, is that China leads the way. This is forecasted to continue with the [IEA](#) estimating that China will account for over 40% of the total global clean energy mix by 2022. China has already surpassed its 2020 solar panel target.

But if you believe it only dominates in solar, think again; it is also the market leader in hydro, bioenergy for power and heat, as well as electric vehicles. After China comes the US, despite a generally anti climate change stance by some members of the US Administration, with India the last of the three. It passed the European Union in 2016. By type of renewable, solar leads the way, accounting for two-thirds of net new power capacity in 2016. Half of this expansion came from China.

WE'RE WATCHING

The UN [Green Climate Fund](#) has recently approved US\$1 billion funding for 23 projects for the reduction of heat trapping emissions and adaptation to a warming planet. Furthermore, indigenous people who live near forests will also get protection.

QUOTE OF THE WEEK

The plant is really growing well, so at this very premature stage of the market, we need to consider which instruments will make the plant grow more. And it is not the time where hard intervention by the legislator is the right instrument.

– Joachim Wuermeling, Member of the Deutsche Bundesbank, when discussing sustainable finance

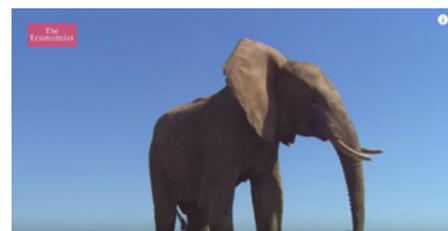
READING LIST

[A practical guide to active ownership in listed equity – PRI](#)

[Impact Assets 50 7th Annual Report Impact Assets](#)

[What we do \(and don't\) know about the Arctic Ocean Conservancy](#)

WATCH LIST



[The Economist: How to stop the ivory trade](#)

BELIEVE IT OR NOT

Is progress being made in gender diversity in the boardroom? Not in Japan, it seems, where women executives (board members, auditors and corporate officers) account for 3.7% at listed companies. [READ MORE](#)

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