

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING MARCH 23, 2018 EDITION 237



### FACEBOOK: ESG IMPLICATIONS

*Data privacy questioned*

Facebook's [difficulties](#) in relation to the Cambridge Analytica relationship are causing investors to reassess the ESG implications. Data practices are being openly questioned which is causing angst with a number of IT behemoths. Has data privacy been compromised? Is corporate governance lacking? The vast majority of sell-side analysts continue to rate Facebook as a buy despite the recent decline in share price.

Do the ESG vendors fare any better? As ever, there are a range of views. While [MSCI](#) and [Sustainalytics](#) rate it as average overall – although MSCI has social concerns and Sustainalytics governance worries – [Thomson Reuters](#) rates it below average and [Bloomberg](#) poor. [RepRisk](#) also identified it as poor back in the middle of last year, but while still poor, its rating has improved since then. Clearly the experts are divided.

### ESG DATA PROVIDERS

*More consolidation*

In last week's [Insights](#), we mentioned that consolidation was underway in the ESG data provision sector. Since, more has happened. Solaron, founded in India in 2007 is one of the smaller ESG data providers. Although it employed over 80 analysts covering 6,000 global stocks, it was not a top-tier player alongside the likes of MSCI ESG, Sustainalytics and RepRisk. Now, Sustainalytics has acquired the company [citing](#) a desire to expand its Emerging Markets research capability.

But a new ESG vendor major has emerged. [ISS](#), widely known as a proxy voting company, which has been rebranding itself as a corporate governance and responsible investment provider. It has just acquired the German company oekom research, an ESG data vendor. This is not ISS's first [move](#) into this area. It has previously acquired Ethix (in 2015), IW Financial (in 2016) and South Pole Group (in 2017). Meanwhile, [Morningstar](#) has acquired 40% of Sustainalytics.

### THIS WEEK IN NUMBERS

300 million Euro social bond was successfully launched by Danone this week. Proceeds go to responsible farming, community empowerment, healthy food and R&D

159 million people globally are dependent on surface water for drinking

36 percent is the targeted emission reduction announced by McDonald's between 2015 and 2030

15 cities in Asia and Africa could cut CO<sub>2</sub> emissions resulting in 1 million fewer early deaths

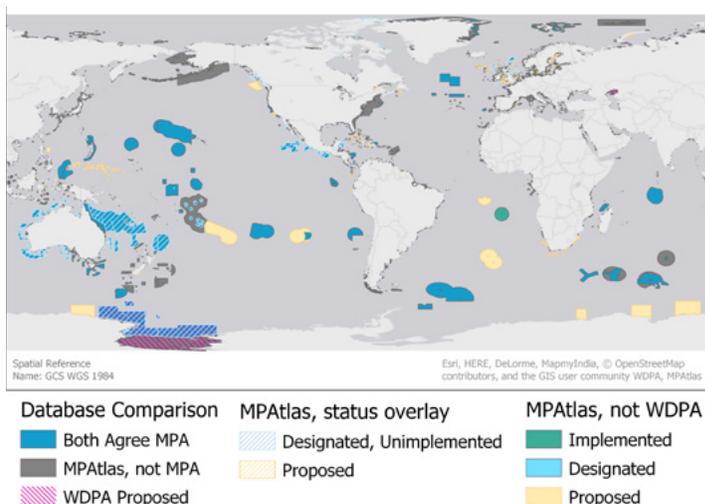
10 million US\$ is to be spent by Starbucks on developing a greener coffee cup

3.6 percent of the world's oceans are protected at the moment

2.2 million people were displaced in the Democratic Republic of Congo (DRC) in 2017

1.4 percent rise in global energy-related CO<sub>2</sub> emissions was recorded in 2017

### INFOGRAPHIC OF THE WEEK



Note MPA = official MPA numbers used by MPAtlas.org; WDPA = World Database on Protected Areas

Source: [MPAtlas.org](http://MPAtlas.org)

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### GUN DIVESTMENT

*CalPERS delays*

Will it be different this time hoped many following the high school shooting in Parkland, Florida. The [State Treasurer of California](#) thought it was worth a try when he argued that the CalPERS' investment committee should vote on the divestment of sellers on assault rifles and bump stocks.

Members of the public joined the debate, including family members from the San Bernardino shootings in 2015. But the investment committee [pushed back](#) arguing they had a duty to optimize the US\$355 billion plan's risk-adjusted returns. Furthermore, they pointed out that by divesting they no longer had a seat at the table when discussing firearm policies with these companies. The investment committee is expected to re-visit this issue next year.

### GOOD NEWS

Greater Manchester in the UK is aiming to be the first city region to be [plastic free](#) by 2020, ditching single-use plastics.

### DID YOU SEE?

The Food Safety alliance for Packaging has released new guidelines for [packaging suppliers](#). The voluntary code calls for all heavy metals, perfluoro and polyfluoro-compounds with eight or more carbons for coating paper and paperboard, and polystyrene for oven and microwaves.

### CLIMATE RISK AWARENESS

*But limited action*

Let's deal with the good news first. A [report](#) released by CDP and CDSB looking into 1681 companies in 14 countries and 11 sectors showed that 83% of companies [recognize](#) the physical risks of climate change for their business. Furthermore, 88% identify policy changes and new regulations as the main risk of transitioning to a low carbon economy.

The bad news is that such awareness is not translating into action. For example, while more than 80% of corporates oversee climate change at the board level, only 10% incentivise management on such issues. Germany leads in this field, with 29% of companies providing incentives while Canada has the lowest at 2%. The US has the lowest proportion of companies with board oversight (66%) while the UK leads with 96%.

### BAD NEWS

A [three-year study](#) of the Great Pacific Garbage Patch, located between California and Hawaii, is predicted to contain 79,000 tonnes of plastic, covering an area of 1.6 million sq. km. This is anywhere between 4 and 16 times greater than previously reported.

### TERM OF THE WEEK

#### [Chinese Ministry of Ecological Environment](#)

Newly created ministry taking over from the former Ministry of Environmental Protection and with greater powers, taking over the environmental duties of the land, water and agriculture ministries.

### WATCH LIST



[Roadmap for the Future of Impact Investing](#)  
GIIN

### READING LIST

[Ready or not: Are companies prepared for the TCFD recommendations](#)  
CDSB & CDP

[Welcome to an electric world. Worry about the transition](#)  
The Economist

[Carbon performance assessment in oil and gas](#)  
Transition Pathway Initiative

[Most controversial projects 2017](#)  
RepRisk

### BELIEVE IT OR NOT

Brazil has the largest fresh water reserves in the world, yet one-quarter of its municipalities faced water shortages.

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