

INSIGHTS

For the Mainstream Investor

WEEK ENDING APRIL 6, 2018 EDITION 239



Sustainable Insight
CAPITAL MANAGEMENT

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PERCEIVED CORRUPTION

Performing poorly

Transparency International marked its 25th anniversary by releasing its Corruption Perceptions Index 2017. Its conclusions make for a disappointing reading. The NGO notes that 'the majority of countries are making little or no progress in ending corruption'. The survey ranks 180 countries on a scale of 0 (highly corrupt) to 100 (very clean) based on their perceived levels of public sector corruption. Two-thirds of countries scored below 50. Regionally Western Europe scores highest with an average of 66 while sub-Saharan Africa can manage just under half of this with a score of 32. Eastern Europe and Central Asia are only marginally better with an average score of 32. The country leading the ranking is New Zealand (89), followed Denmark (88) and Finland (85). At the other end of the ranking are Somalia (9), South Sudan (12) and Syria (14). Improvers since 2012 are Cote d'Ivoire, Senegal and the UK while heading lower were Syria, Yemen and Australia.

OIL'S REPORT CARD

Preparing for AGMs

The AGMs of the oil majors are an annual highlight for environmental activists. Royal Dutch Shell, which has been one of the most transparent on climate change – see last week's Insights - looks set to be challenged on whether its emissions goal really is in line with the Paris agreement of 2015. Exxon's AGM is on April 27, BP's on May 21 and Shell's the following day. Recently, some activists have been alarmed by the support of the Securities and Exchange Commission's for the Texan oil and gas explorer, EOG, to pre-emptively quash a shareholder resolution on climate change. The company argued that the resolution micro-managed the company and the regulator agreed. So it's all eyes on the SEC. But asset owners aren't giving up. The New York State Comptroller, Thomas DiNapoli, the bête noir of the oil majors, is pressing Exxon Mobil for more climate change transparency. The fund is asking for a 'full understanding of planning and preparation to operate in a carbon constrained economy'.

THIS WEEK IN NUMBERS

2,767,699

federal background checks for firearm purchases in the US were run in March, the highest level since 1988

110,000

tonnes of smuggled waste have been seized by Chinese customs authorities so far this year

1890

was the last time that the UK saw greenhouse emissions as low as 2017 stated the UK Department for Business, Energy & Industrial Strategy

20

% of the diets with the highest carbon footprint account for 46% of the total diet-related greenhouse gas emissions, in the US

11

percent increase in US municipal water and waste water infrastructure spend is forecasted over the next 10 years

9

million light years away is the most distant star observed in the universe

1st

is the ranking of Texas of all US states for wind power jobs; it's fourth for solar and second for energy efficiency jobs

0.7

increase in emissions regulated under the EU's Emission Trading Scheme (ETS) was recorded in 2017, the first rise for 7 years

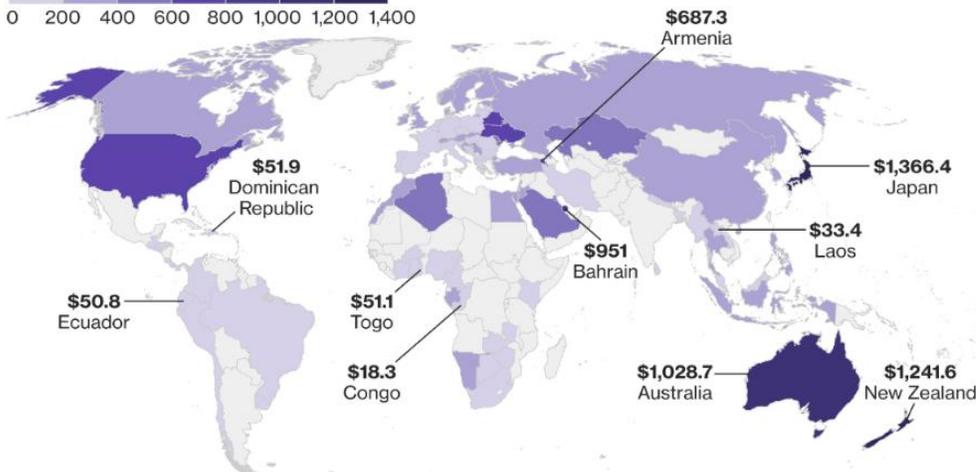
INFOGRAPHIC OF THE WEEK

Bloomberg Global Vice Index

The cheapest and most expensive countries in which to buy a basket of "vice" products: cigarettes, alcohol, amphetamines, cannabis, cocaine and opioids

Basket cost (\$)

0 200 400 600 800 1,000 1,200 1,400



Source: UN World Drug Report, World Health Organization, World Bank, International Monetary Fund and research by Bloomberg

Bloomberg

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BATTERIES

The good and bad

The development of batteries is crucial to the future growth of electric vehicles (EVs). Recently, good news emerged from the UK when [researchers](#) announced a new battery material for EVs which would enable them to travel as far as petrol and diesel ones and can also be re-charged in 10 minutes rather than 7 to 8 hours. [Recycling](#) has also been a problem for batteries, but China has been pushing ahead with their recycling by repurposing them for another use such as power back-ups for the telecom industry. But batteries are also providing headaches for EV developers. Emergency services are still determining whether these batteries are more prone to catch fire. What is clear is that lithium-ion batteries will release [toxic fumes](#). In addition, there are supply chain issues for battery components. [Cobalt](#) is one such material, with its price doubling in the last two years, and is mainly sourced from the Democratic Republic of Congo, a country which would struggle to qualify as responsible sourcing.

WE'RE WATCHING

Banks are being challenged by shareholders to reveal more about their funding of [lobbying](#). Citigroup is facing a proposal to provide an annual report on lobbying activities. Goldman Sachs is also being asked for more transparency on lobbying policies and payments. Some financial companies already provide such information such as Prudential Financial and American Express.

A DATE TO WATCH

April 22 is [Earth Day](#), a time to support environmental protection. This year's focus will be on ending plastic pollution. Helping achieve this will be [Pokémon Go](#). The gamers will be encouraged to gather garbage in public spaces. A unique avatar will be available to those who help as well as in-game rewards.

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RELAXING REGULATION

Will companies follow?

The Head of the US [Environment Protect Agency](#), Scott Pruitt, has revealed plans to relax emission standards for vehicles. He has stuck to an [agenda](#) since taking the post in early 2017, of rolling back Obama-led regulations, a policy which he calls a 'de-regulatory agenda'. But a number of the large auto companies disagree. Bill Ford, Chair of Ford Motor Company, stated that 'we support increasing clean car standards through 2025 and are not asking for a rollback'. In addition, the White House has announced plans to review fuel economy standards from 2022 to 2025. The automakers lobbied for this [review](#). California, which has the right to set its own targets under the Clean Air Act, has made clear that it will not be joining the President in loosening requirements. Now carmakers could find that there are two automobile markets in the US with different pollution and fuel mileage rules. Worrying for the US motor industry is whether such measures will make them uncompetitive globally. [Forty-six](#) other companies also believe the EPA is heading in the wrong direction.

DID YOU SEE?

The US [EIA](#) forecasts that US coal domestic demand and coal exports will remain flat through to 2050, at 750 million short tons per year, down from the peak of 1.2 billion in 2008.

KEEPING AN EYE ON

[Cerulli Associates](#), a company that specialises in asset management and distribution analytics and guidance, has issued a report on the significance of [ESG](#). It suggests that ESG factors are now established in the asset management industry, although alternatives still face headwinds as there can be a lack of data in this asset class.

WATCH LIST



The Key to Understanding Facebook's Current Crisis – [Wall Street Journal](#)



Five Ways to Shut Your Phone Up... For a While – [Wall Street Journal](#)

READING LIST

Driving Disruption – [CDP](#)

Putting the spotlight on Spotify: Why have stocks with unequal voting rights outperformed? - [MSCI](#)

LISTENING LIST



How long could we survive without ice? – [Under the Weather](#)

WORD OF THE WEEK

'[Rariphotic](#)' – a zone of the ocean between 400 feet (122m) and 1,000 feet (305m) below the surface which contains many new species

BELIEVE IT OR NOT

Desperate times call for desperate measures. To protect glaciers from melting – and to keep the tourist coming – local residents have been wrapping the Rhone Glacier in white blankets.

[READ MORE](#)