

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING MAY 4, 2018 EDITION 243



### MEASURING ESG

*The lessons from ESG performance*

Deutsche Bank Wealth Management has released a [report](#) which focused on the relationship between ESG considerations and financial return. It argues that 'ESG investing has come of age'. The researchers found that there is a highly diversified realm of ESG investment 'each with their own risk and return profiles'. The main lesson that they draw is that 'ESG considerations can not only help achieve specific desirable social or environmental goals, but also help make informed decisions from a purely financial perspective'. The authors issue a warning that it is not in investors 'own financial interest to dismiss ESG investments as less financially appealing than conventional investments'.

### CORPORATE GOVERNANCE

*Never-ending*

Recent corporate governance issues suggest investors should expect variety. The Vivendi CEO was charged with corruption in his listed investment vehicle, [Bolloré Group](#), which he denies. Compensation is an important issue with [Unilever](#) which faces a challenge over executive bonuses, while a number of UK companies are being questioned on their [gender pay gap](#). WPP's CEO resigned when personal [misconduct](#) issues were raised, as did [AMP's](#) Chairwoman over misleading customers. But top billing went to Zuckerberg at Facebook who was questioned on the company's controls while Deutsche Bank followed close behind over its [recruitment](#) of a new CEO.

### THIS WEEK IN NUMBERS

500

million A\$ (US\$379m) is to be allocated by the Australian Government to protect the Barrier Reef

197

nations, all the signatories of the Paris Agreement, have at least one national law addressing climate change

91

percent of the world's population live in places where air quality exceeds WHO guideline limits

40

% of bird species globally (3,967) have declining populations while 13% are threatened with extinction

25

percent of the proposed European Union's budget for 2021-2027 is related to climate protection

17

states are challenging the Trump administration's decision to weaken emission and fuel efficiency rules

11

million additional energy jobs will be created by energy transition by 2050, says IRENA

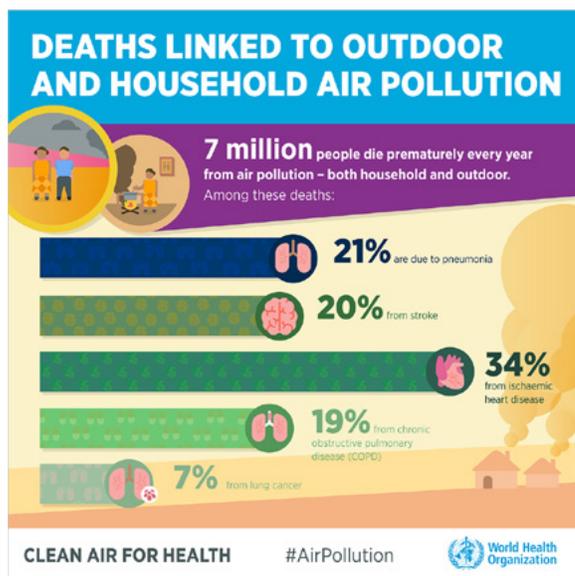
1.8

trillion of GBP (US\$ 2.5tn) of assets owned by institutional investors are to support a resolution requiring Rio Tinto to fully disclose its relationships and associated costs with industry bodies and coal lobbyist organizations.

### WORD OF THE WEEK

**Multiverse** - A group of multiple separate universes including the universe in which we live. Together, they comprise everything that exists: space, time, matter, energy, the physical laws and the constants that describe them.

### INFOGRAPHIC OF THE WEEK



Source: WHO

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### CLIMATE CHANGE ECONOMICS

*Paying for itself*

A study by [MIT](#) researchers based in China, analyzed the economic costs of climate policy against 'near-term reductions in both air pollution and adverse human health impacts'. By adhering to the Paris Agreement, China looks set to avoid unnecessary deaths from air pollution in every province, with this lower death rate giving a saving of [US\\$339bn](#) by 2030. The researchers summarized their finding by stating that 'national health co-benefits from improved air quality would partially or fully offset policy costs, depending on chosen health valuation'. Meanwhile, net health co-benefits 'are found to rise with increasing policy stringency'.

### OPINION PIECE

The Californian State Teachers' Retirement System ([CalSTRS](#)) and New York State Common Retirement Fund ([NYSCRF](#)) have [stated](#) that they oppose divesting from controversial companies because corporate behavior doesn't change. The CIO of CalSTRS stated, 'Divestment hasn't made the world a better place'.

### WE'RE WATCHING

The UK's [Competition and Markets Authority](#) will [investigate](#) the four biggest accountancy firms. There are concerns about the lack of competition in the audit market and accusations that some audits are 'money for old rope'. Audits are a vital cog in the governance system of companies and therefore their effectiveness is crucial.

### QUOTE OF THE WEEK

“ Cities are where the climate battle will be won or lost.  
– [Patricia Espinosa](#), Executive Secretary of the UN Framework Convention on Climate Change ”

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### ERISA CLIMATE CHANGE

*Forget it*

A new organization called the Institute for Pension Fund Integrity (IPFI) has [applauded](#) the US Department of Labor [advice](#) that 'fiduciaries of ERISA-covered plans must avoid too readily treating ESG issues as being economically relevant to any particular investment choice'. The IPFI promotes 'the responsible management of contribution-based funds'. It [argues](#) that fiduciaries should uphold the standard of managing 'public retirement funds with the highest return at the lowest reasonable risk'. Trustees of these investments should avoid political agendas, it argues.

### WORTH FOLLOWING

The [Advanced Biofuels Association](#) has asked a federal court to provide a [ruling](#) on whether the US Environmental Protection Agency has broken the law by granting a rising number of small refineries exemptions from renewable fuel laws. The law requires refiners to blend increasing amounts of biofuels into the fuel supply.

### DID YOU SEE?

[Morningstar](#), the fund rating company, has launched a new [Carbon Risk Score](#) for 30,000 funds globally. The data is sourced from Sustainalytics and aims to show how 'companies manage carbon risk'. So investors will be able to determine 'how well companies in a portfolio prepare to transition to a low-carbon economy'.

### READING LIST

*Al Gore: sustainability is history's biggest investment opportunity* [FT](#)



*Global Energy Transformation: A Roadmap to 2050* [IRENA](#)

### LISTENING LIST



*Shifting the Dial*  
[In The Balance – BBC](#)

*Peter Katz and GoTrans*  
[Infinite Earth Ratio](#)

*Child Soldiers*  
[History Hit](#)

### BELIEVE IT OR NOT

The Noor solar power plant in Morocco, covers 1.4 million square meters, about the same size as Paris. [READ MORE](#)