

INSIGHTS

For the Mainstream Investor

WEEK ENDING AUGUST 3, 2018 EDITION 255



FOSSIL FUEL INVESTMENT

Engage or divest

How should shareholders engage with fossil fuel companies if they wish to tackle climate change? Should they engage with the managements of Big Oil at AGMs, which requires owning equity, or should they divest? Last year, Exxon shareholders [approved](#) a resolution requiring management to report on the impact of climate change to its business. At the end of the year Exxon agreed to [publish](#) the reports. An engagement success helped to justify BlackRock's and Vanguard's decision to remain invested.

However, others have chosen to divest from fossil fuels, but to varying degrees. Axa, ING and the World Bank have chosen not to own coal, oil and gas. The Norwegian Pension Fund, which received much of its revenue from oil, is not permitted to invest in coal. New York City, which attempted to [sue](#) some oil companies for climate change damages, is pressing for more asset managers to divest from fossil fuels.

SHAREHOLDER ENGAGEMENT

SEC examines proxies

The Chairman of the SEC, Jay Clayton, has [announced](#) an SEC Staff Roundtable on the proxy process to determine 'whether our existing rules are achieving their objectives effectively'. The Chairman stated, 'Shareholder engagement is a hallmark of our public capital markets, and the proxy process is a fundamental component of that engagement'.

The SEC last reviewed the proxy process in 2010 and the SEC has noted a dramatic increase in the levels of engagement since then, 'with 72% of S&P 500 companies reporting engagement with shareholders in 2017, compared to just 6% in 2010'. Topics to be considered include: over- and under-voting by broker-dealers; checking whether investors' shares have been voted in line with instructions; the costs and challenges of proxy materials.

THIS WEEK IN NUMBERS

90

percent decline in the world's largest penguin colony has been recorded in the last three decades

84

percent drop in measles deaths between 2000 and 2016 from vaccination programs

83

% of S&P 500 companies, which have reported Q2 earnings, have actual EPS numbers above estimates, at 2.5% above the forecasts.

23

percent of China's landmass is to be forested by 2020, from the present 21.7%, according to Chinese media reports

7

of the 33 members of the Goldman Sachs Management Board are women

3

in 5 babies are not breastfed in the first hour of their life

2.2

billion US\$ charge (net of insurance) was taken by PG&E for 14 of the 16 California wildfires a state agency concluded were the utility's fault

1

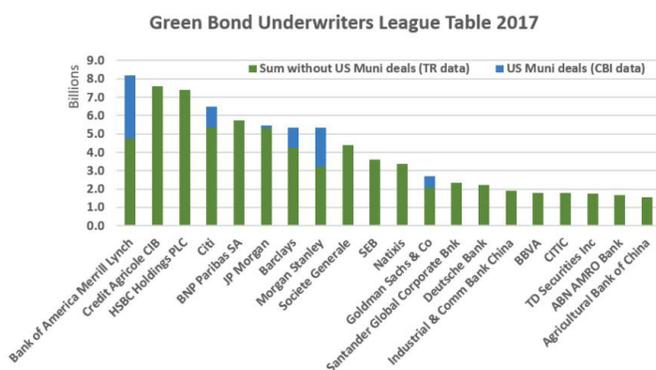
degree C increase in average monthly temperature produces a 0.68% increase in the monthly suicide rate in the US say researchers

TERM OF THE WEEK

[The Cerrado Manifesto](#) 75 companies signed this agreement which calls for zero deforestation in the Cerrado region of Brazil.

INFOGRAPHIC OF THE WEEK

Green Bond Underwriters Annual League Table (2017)



Source: [Climate Bonds Initiative](#)

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GLOBAL SLAVERY

2018 numbers

The [Global Slavery Index](#), which measures the prevalence of slavery country by country, has been released. The survey [reveals](#) that there were 40.3 million people in modern day slavery in 2016, of which 71% were females. The breakdown of the 40 million shows 24.9 million are in forced labor and the balance in a forced marriage. Researchers point out that to correct this problem, consumers as well as producers must bear responsibility. G20 countries are importing US\$ 354 billion of 'at risk' products annually, of which the US accounts for US\$ 145 billion of these imports. The most 'at risk' imports are laptops & computers, garments, fish, cocoa and sugar cane. Countries not taking action on supply chain slavery include Argentina, Canada, India, Japan, South Africa and South Korea.

NOT WHAT YOU THINK

Recently, major [wildfires](#) in various countries have been blamed on overgrown forests and droughts. But a study led by the National Center for Atmospheric Research ([NCAR](#)), in the US, believes that localized winds probably play a much larger role.

FOLLOW BY EXAMPLE

Standard Life Aberdeen, the UK based asset manager, has [called upon](#) other asset managers to attend AGMs when possible. The company's stewardship officer noted that at Persimmon's AGM he was the only institutional investor to attend although 49% of votes were cast against the remuneration report.

...AND FINALLY

The last ton of black coal will be [mined](#) in Germany next month, at Ibbenbüren. However, power stations will continue burning black coal, but the fuel will be imported. Furthermore, Germany continues to mine brown coal (lignite), largely from strip mines which are very cheap. Six of the ten top [polluting](#) power plants in Europe are in Germany.

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CLIMATE GOALS

Examining the funding

To meet climate goals and Sustainable Development Targets ([SDGs](#)) finance is required. Finance is likely to be sourced from both public and private sources. To assist governments in their planning, the UN has produced [blueprints](#) to facilitate voluntary national reviews. Some estimate that [US\\$7 trillion](#) is needed to meet climate goals alone and capital markets will have to be effectively used to contribute to this total. To put the challenge in perspective, so far in 2018 US\$87 billion of [green bonds](#) have been issued. Following the UN Environment Programme Finance Initiative ([UNEP FI](#)), 300 financial institutions is Australia and New Zealand have joined to support the development of a [sustainable finance roadmap](#).

THINKING OF OTHERS

Many of our readers will have noticed higher [temperatures](#) than normal recently. But consider others around the world who are suffering. This includes 80,000 hectares of burning forests in Siberia; 32.1C (89.9F) temperatures in northern Finland, inside the Arctic Circle; and the minimum 24 hour temperature of 42.6C (108.7F) in Quriyat, Oman.

GOOD NEWS

A study by the [Women's Philanthropy Institute](#) at Indiana University, which included more than 6,000 households aged between 55 and 101, found that [charity giving](#) is established before retirement and likely to continue post retirement even if other financial changes occur.

WE'RE WATCHING

A few US states have created state-sponsored retirement [programs](#) – California, Illinois, Oregon and Washington State. However, only the former state has included an ESG offering with a primary focus on 'social and environmental responsibility', within its CalSavers scheme.

READING LIST

The price of sin
[The Economist](#)

Rise of global computers raises questions
[Financial Times](#)

WATCH LIST



[Global Slavery Index](#)

LISTENING LIST



Is Africa's longest war really over?
[The Inquiry – BBC](#)

Happy 40th birthday to the first test-tube baby
[Health Check – BBC](#)

BELIEVE IT OR NOT

A study by the University of Toronto finds that people can reliably determine if individuals are rich or poor by looking at their face. [READ MORE](#)