

INSIGHTS

For the Mainstream Investor

WEEK ENDING AUGUST 17, 2018 EDITION 257



AUSTRALIA AND RI

The report card

For the last 16 years, the Responsible Investment Association Australasia (RIAA) has commissioned research into the size and growth of **responsible investment** in Australia and New Zealand. The **report** presents data on the various forms of responsible investment and analysis of growth in the sector in comparison with the total investment market. This year's report notes that responsible investment now makes up the majority of the overall investment market in Australia. The research reveals that it consists of \$866 billion of assets, or 55.5% of all assets professionally managed in this country in 2017.

Of the \$866 under management, asset managers using ESG integration account for a vast majority of those assets, called a "Broad responsible investment approach" in this report. In 2017, \$679.3 billion in AUM was invested by 22 asset managers who demonstrated a leading approach to ESG integration, a growth of 22% from 2016.

EXAMINING ESG

Annual results

Nordea has **updated** its findings from a 2017 report on ESG from a performance perspective. It finds that **'top ESG companies** have continued to deliver solid operational performance in the past two years'. In fact, MSCI AAA-rated companies have never had better ROCE or lower share price volatility versus the market than they do now.

However, the best ESG companies have not been 'properly rewarded by the market' the report notes, facing especially strong headwinds in 2016 and 2017. The report also finds that defensive strategies such as low vol and high earnings quality – which share a lot of traits with good ESG strategies – also underperformed the market in the past two years.

Despite that, in Europe, MSCI AAA rated ESG companies have outperformed B and CCC rated companies by an average of 5% per year since 2012.

THIS WEEK IN NUMBERS

2010

is the year that economic damage from coastal flooding in Europe could reach almost €1 trillion per year

100

percent renewable energy will power South Australia by 2025 some models predict

25

percent tariff is being levied by the Chinese Government on recycled materials, including corrugated cardboard, recovered fiber, and scrap plastic

24.6

is the blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the S&P 500 for Q2 2018

18.9

million USD annual salary is the average annual pay for CEOs in the U.S.

8.2

fast-food outlets exist per 10,000 people, compared to 11.6 in the poorest parts of the country, according to Public Health England, a government agency

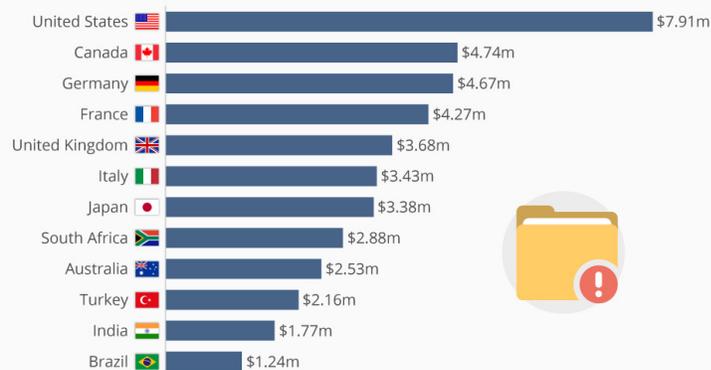
1.1

names of people have been submitted by the public to be included on a memory card on the Parker Solar Probe – a seven-year NASA mission that will swoop through the Sun's atmosphere 24 times

INFOGRAPHIC OF THE WEEK

The Price Tag Attached to Data Breaches

Average total cost of a data breach by country in 2018



Source: Statista

Source: Statista

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NUCLEAR POWER AND CLIMATE

Nuclear's role

The world's most expensive [nuclear power station](#) – the US\$25 billion Hinkley Point C nuclear station being built right now in western England – will feature a concrete seawall measuring 12.5 meters (41 feet) high, 900 meters (3,000 feet) long. UK regulator and French engineers say it will be durable enough to withstand the strongest storm surge, the greatest tsunami and the highest sea-level rise. Pete Roche, a former adviser to the UK government and Greenpeace, isn't so sure. The new seawall does not adequately take into account sea-level rise due to climate change, he says.

“The wall is strong, but the plans were drawn up in 2012, before the increasing volume of melting of the Greenland ice cap was properly understood and when most experts thought there was no net melting in the Antarctic,” he notes. Additional research by Ensis suggests that “at least 100 U.S., European and Asian nuclear power stations built just a few meters above sea level could be threatened by serious flooding caused by accelerating sea-level rise and more frequent storm surges”.

WORTH NOTING

National Oceanic and Atmospheric Administration (NOAA) reported that conditions in the ocean and the atmosphere may produce a less active Atlantic [hurricane season](#) than it had initially predicted in May. However, the agency still urges preparedness.

DID YOU SEE?

The Caribbean island nation of Dominica will aim to [completely ban](#) common plastics and single-use Styrofoam cups and food containers.

ANOTHER ONE...

...bites the dust. A judge dismisses a [climate change lawsuit](#) brought forth by a group of young climate advocates in Washington State.

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FOSSIL FUELS AND CLIMATE

The way ahead

A new [paper](#) outlines practical, political and ethical issues in addressing [fossil fuel supply](#) as part of climate mitigation policy. Policymakers, investors, researchers, and civil society actors have begun to look at the supply side of the fossil fuel economy—and the potential for supply-side measures to complement demand-side climate policies.

It notes that continued investment in fossil fuel exploration, extraction, and delivery infrastructure makes global climate objectives – such as keeping global warming well below 2 °C and pursuing efforts to stay below 1.5 °C, as suggested by the Paris Agreement – much harder to achieve. It also highlighted some proposed approaches, including rallying opposition to new fossil fuel supply infrastructure and the development of new resources.

CONGRATULATIONS!

The UN General Assembly appointed Michelle Bachelet the new [UN High Commissioner for Human Rights](#), replacing Zeid Ra'ad Al Hussein ,who served in the role since 2014. Bachelet was most recently the President of Chile (from 2014 to 2018, and 2006 to 2010).

DID YOU KNOW?

According to a Pew Research Center analysis, women in the United States are [waiting longer to have children](#) than in the past (average age is 26.4) but they are still starting their families sooner than women in many other developed nations, such as South Korea, Japan, and Italy.

WORTH A LOOK

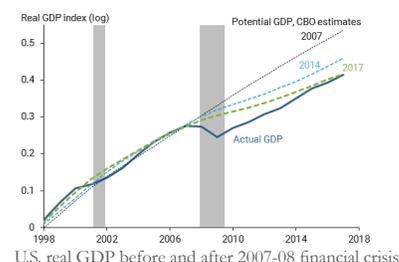
Fascinating NASA [satellite imagery](#) shows that the Padma river in Bangladesh has been growing in size, transforming in shape, and changing in location for at least the past 30 years.

READING LIST

Disclose What Matters: Bridging the Gap Between Investor Needs and Company Disclosures on Sustainability

[Ceres](#)

The Financial Crisis at 10: Will we ever recover?
[FRBSF Economic Letter](#)



LISTENING LIST



Adapting to Climate Change
[Business Daily \(BBC\)](#)

Kellogg-Morgan Stanley Sustainable Investing Challenge - Winners of the 2018 Challenge from Perspectives
[Perspectives towards a Sustainable Future](#)

BELIEVE IT OR NOT

Emirates is building a giant vertical farm – five stories and 130,000 square feet to be exact – to feed airline passengers.

[READ MORE](#)