

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING SEPTEMBER 7, 2018 EDITION 260



### CLIMATE CHANGE ECONOMICS

*Extensive upside possible*

A report by the [Global Commission on the Economy and Climate](#) has been published on 'Unlocking the inclusive growth story of the 21st century: Accelerating climate action in urgent times'. It claims that 'we are significantly under-estimating the benefits of cleaner, climate-smart growth'.

The research argues that bold climate change could 'deliver at least US\$26 trillion in economic benefits through to 2030, compared to business as usual'. Five main economic opportunities are highlighted: energy, cities, food & land use, water and industry. If an ambitious agenda was to be implemented in these areas it forecasts that over 65 million new low-carbon jobs could be created by 2030 and over 700,000 premature deaths avoided. The report also estimates that government revenues of US\$2.8 trillion per year could be generated from reform subsidy and carbon pricing.

### GLOBAL FOREST PROTECTION

*Setting standards*

Emissions from the deforestation and degradation of tropical forests accounts for an estimated 11-14% of all global CO<sub>2</sub> emissions. California would like to establish a [standard](#) to tackle this major cause of greenhouse gas emissions. The California Air Resources Board (CARB) has been charged with consulting with government agencies to identify suitable strategies to reduce GHGs, both nationally and internationally. The aim is to establish a [California Tropical Forest Standard](#) which would specify criteria to assess jurisdictional sector-based offset crediting programs for immediate use by jurisdictions across the globe that are taking action to reduce GHG emissions from tropical deforestation as well as potential future inclusion within a Cap-and-Trade Program. The press release states that 'this jurisdictional approach to tropical forest programs is anticipated to serve as a robust, replicable model for other GHG emissions mitigation programs'.

### THIS WEEK IN NUMBERS

2050

is the year by which International Maritime Organization rules require that ship designs be 30% more fuel efficient than average 2000-10 levels

500

million Euro sustainability awareness bond has been sold by the European Investment Bank, the first of its type

400

laser bomb contract to be sold by Spain to Saudi Arabia, is to be canceled by the Spanish Ministry of Defense

100

CEOs of the top companies listed on the Johannesburg stock exchange received an open letter from Old Mutual Investment Group warning about ESG risks

46

percent increase in sales of VW passenger cars was recorded in Germany last month, prior to new emission rules this month

29

votes in favor resulted in Europe's proposed personal pension product, which includes sustainable investing rules, becoming closer to reality

27

years without a recession in Australia

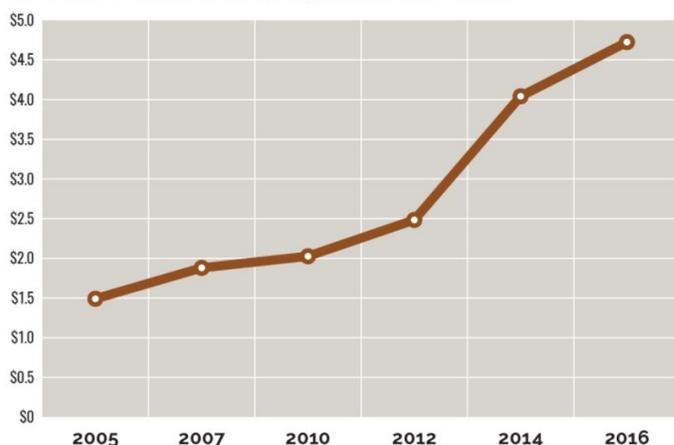
1

billion barrels of oil equivalent imports would be saved in the EU by using more efficient diesel trucks, combined with the gradual integration of new electric and hydrogen vehicles

### INFOGRAPHIC OF THE WEEK

#### Institutions embracing ESG investing

GROWTH OF INSTITUTIONAL INVESTMENT (TRILLIONS)



Source: US SIF

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### ESG INVESTMENTS

*On the rise in the US*

Institutional assets [invested under ESG principles](#) in the U.S. totaled US\$4.73 trillion at the start of 2016 according to the [US SIF Foundation](#). A more recent Callan survey found ESG factor incorporation increased among U.S. asset owners in 2018. An emerging issue is the social, or "S" factor, of ESG. "Broadly speaking, social issues are becoming more of a focus for investors", said Fiona Reynolds, [PRI's](#) London-based CEO. Other areas investors are looking at more closely are women's socioeconomic advancement, the distribution of firearms, and the opioid crisis.

### MARK YOUR CALENDAR

September 4th - 17th, 2018

UN Intergovernmental [Conference](#) on an international legally binding instrument on the sustainable use of marine biological diversity of areas beyond national jurisdiction.

### WORTH NOTING

[Naspers](#), the global internet and entertainment group, listened to criticism about [remuneration](#) and provided detailed information on executive pay at its AGM. It revealed that remuneration was designed to provide rewards on three basic levels, namely salary, short-term incentives and long-term incentives. With greater seniority came greater risk. The management explained the need to strike a balance between transparency and keeping its competitive edge.

### DID YOU SEE?

The Paris Agreement Capital Transition Assessment [tool](#) has been released as a free online by the Principles for Responsible Investment ([PRI](#)) and California Insurance Commissioner. This tool will help investors analyze how aligned their portfolios are with the Paris Agreement. It can be used for both equities and fixed income.

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### ZERO WASTE TARGETS

*Walmart's approach*

Walmart has set a zero waste target for their Canada, Japan, US and UK operations by 2025. It defines zero waste as meeting or exceeding Zero Waste International Alliance ([ZWIA](#)) requirements. By the end of the 2018 financial year, the company had [diverted](#) 78% of its global waste from landfill.

In order to reduce food waste further, the company aims to accelerate sell-through to prevent wastage, donate unsold food to food banks and recover inedible food through animal feed, composting and anaerobic digestions. Packaging waste reduction involves reducing material waste in operations and refurbishing products to donating products and recycling. The 2018 Sustainability Report may be viewed [here](#).

### IN WITH THE OLD?

Perhaps an existing [antibiotic](#) can be used to successfully treat bacteria, which it was thought to be resistant. Listeria, also known as Listeriosis, is the most lethal food-borne disease and is often fatal. Research has shown that the food bug responded to an antibiotic even though the bacteria carries genes that should make them highly resistant. If successful it suggests that some antibiotics may be able to be repurposed for antibiotic resistance.

### GOOD NEWS

Beers [drinkers](#) of [Carlsberg](#) are set to do their bit to reduce plastic waste. In the future, when buying a multi-pack, the plastic wrapping will disappear and instead the cans will be glued together, Carlsberg believes this will reduce plastic used in multi-packs by 76%. Furthermore, bottle labels will have improved recyclability and refillable bottles will have a new coating to improve their lifetime use.

### READING LIST

*Biggest US pension funds 'must consider climate-related risks'* [IPE](#)

*Affirmative action should be based on class, not race* [The Economist](#)

*Economists gear up to challenge the monopolies* [Bloomberg Opinion](#)

### WATCH LIST

*London slowly moves to cleaner transport to tackle pollution* [Financial Times](#)

*Poachers are killing elephants in Botswana in increasing numbers* [Bloomberg](#)



### LISTENING LIST



*Find your voice and avoid ethical pitfalls* [CFA Institute](#)

*Has finance been fixed?* [The Economist](#)

### BELIEVE IT OR NOT

You may have suspected it all along but there is scientific evidence that your mindset affects everything from your weight and fitness to even how well you age. The researchers believe that 'our minds actually change reality'. [READ MORE](#)