

INSIGHTS

For the Mainstream Investor

WEEK ENDING OCTOBER 12, 2018 FINAL EDITION – 265



GOVERNANCE REMINDERS

Investors can't ignore recent events

Few investors deny that the assessment of the management of a company is an important consideration. Recent events serve as a timely reminder that investors should remain vigilant on a number of fronts. In [Korea](#), Samsung's newly appointed CEO and a further 31 senior executives were charged with labor union suppression by systematically disintegrating the unions. Meanwhile, in [Brazil](#), [Petrobras](#) agreed a settlement with the SEC, Department of Justice and Brazilian regulators over bribery payments through Operation Car Wash.

In the US, it was Elon Musk being forced to agree a settlement with the [SEC](#) whereby he will relinquish the Chairmanship of Tesla and pay a fine of US\$20 million over public comments about taking the company private. Meanwhile, in Europe, [Danske Bank's](#) CEO has left the company following accusations that it conducted mirror trades to allow money-laundering. [Nordea](#) is also being investigated. The variety of sectors and countries is cause for continued scrutiny of governance.

SUSTAINABLE ECONOMICS

Formal recognition

The Swedish Central Bank's [prize](#) in economics, in memory of Alfred Nobel – often called the Nobel Economics Prize – was jointly [awarded](#) to William Nordhaus and Paul Romer. Both academics were awarded the prize 'for addressing some of our time's most basic and pressing questions about how we create long-term sustained and sustainable growth'. Nordhaus, who has been working on climate change and economics since the 1970s became the first person to create an 'integrated assessment model i.e. a quantitative model that describes the global interplay between the economy and the climate'.

Romer, who developed the 'endogenous growth theory' is credited with generating vast amounts of new research into the regulations and policies that encourage new ideas and long-term prosperity'. As the press release states, the two academics 'have brought us considerably closer to answering the question of how we can achieve sustained and sustainable global economic growth'.

THIS WEEK IN NUMBERS

2,000

is the number of victims of the recent Indonesian earthquake and tsunami

2023

will be the date by which modern bioenergy will demonstrate the greatest growth in renewable resources, compared to 2018

1,000

years can be the time it takes to create 1cm (0.4 inches) of topsoil

65

percent of Goldman Sachs interns believe that cryptocurrencies will become more prevalent

91

authors from 40 countries prepared the recent IPCC report, citing more than 6,000 references

29

percent of family offices reported the next generation already hold management or executive positions in the family office

8.6

billion is the forecasted global population by 2030

1

st Islamic bond linked to Sustainable Development goals has been launched by HSBC

QUOTE OF THE WEEK

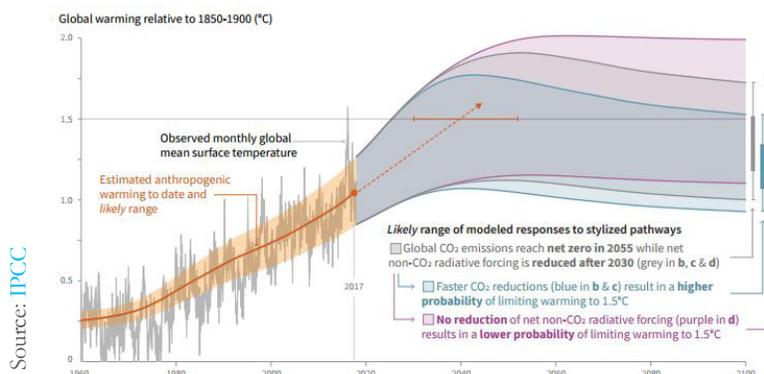


Limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society.

– IPCC Press release on Special Report on Global Warming 1.5C (8 October 2018)



INFOGRAPHIC OF THE WEEK



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CAPITAL MANAGEMENT

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OIL DEMAND

Watch petrochemicals

Transport is often viewed as the major driver of oil demand. The International Energy Agency's (IEA) [report](#) suggests that petrochemicals will account for half of oil demand growth to 2050. In turn, it is plastic demand in China and India that will be the main driver behind this. Other petrochemical products include fertilizers, packaging, clothing, medical devices, tires and detergents.. Furthermore, other parts of our energy system use petrochemicals such as solar panels, wind turbine blades, batteries, parts for EVs and thermal insulation in buildings. The Director General of the IEA [warns](#) 'Petrochemicals are one of the key blind spots in the global energy debate, especially given the influence they will exert on future energy trends.' The IEA expects oil demand for transport to slow as electric vehicle sales rise and combustion engines become more efficient.

WORTH THINKING ABOUT

The World Economic Forum's (WEF) global risks perception survey (2017-2018) listed the [top five](#) perceived risks which will have the biggest impact in the next ten years. Top of the list were weapons of mass destruction. The remaining four are all linked to environmental challenges. In order, with the highest ranked first, they were extreme weather events, natural disasters, failure of climate change mitigation & adaptation and finally water crises.

A FAREWELL FROM THE WEST COAST...

The president of the board of CalPERS, Priya Mathur, has been voted out and her board position [replaced](#) by Jason Perez who argued that she 'has [failed CalPERS](#) and put our retirement security at risk due in part to environmental, social and governance investing priorities regardless of the investment risk'. Will other ESG advocates on investment boards become targets?

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HEALTH AND CLIMATE

Overwhelmingly negative

The World Health Organization (WHO) [forecasts](#) that 'between 2030 and 2050, climate change is expected to cause approximately 250,000 additional deaths per year, from malnutrition, malaria, diarrhea and heat stress'. In a bleak analysis, the WHO recognized that there can be localized benefits from climate change, but 'the overall health effects of a changing climate are likely to be overwhelmingly negative'. On the downside the organization notes that extreme heat contributes to cardiovascular and respiratory disease while natural disasters and variable rainfall patterns destroy homes and medical facilities and can pollute drinking water. Finally it forecasts that patterns of infection will change as water-borne diseases and those transmitted by insects and the like are affected. As a further warning its release states 'all populations will be affected by climate change, but some are more vulnerable than others'.

GOOD NEWS

Can it be true that Australia will be successful in [eliminating](#) cervical cancer? The Cancer Council New South Wales thinks so. Its modeling shows that annual cases could fall to 4 per 100,000 by 2030; presently it's 7. Back in 2007, Australia became one of the first countries to introduce a HPV vaccination for girls, which was later extended to boys as well.

... AND A FAREWELL FROM THE EAST COAST

This is the 265th edition of Insights and our final edition. We would like to thank our readership for sticking with us. We hope you have found it both informative and enjoyable. Please follow us on [Twitter](#) for more sustainable insights. And should you wish to find any back copies, you will find them at [our website](#). We wish you a sustainable future!

READING LIST

Global Warming of 1.5% Celsius [IPCC](#)

Renewables 2018 [IEA](#)

We can save the Earth. Here's how. [WEF](#)

Women are more productive than men at work these days [Big Think](#)

WATCHING LIST

How to fuel the future [The Economist](#)

Petrochemicals are everywhere [IEA](#)

Farmers are scanning fish faces to fight disease [Bloomberg](#)

LISTENING LIST



Can we prevent hurricanes? [BBC](#)

Robot growers: How AI will change farming [WSJ](#)

WELL DESERVED

We congratulate Denis Mukwege and Nadia Murad for winning the [Nobel Peace Prize 2018](#), awarded for their efforts to end sexual violence as a weapon of war. The Nobel Committee stated that 'both put their personal security at risk by courageously combating war crimes and seeking justice for the victims. They have thereby promoted the fraternity of nations through the application of principles of international law.'

BELIEVE IT OR NOT

Fish-ial recognition? Facial recognition is normally associated with enhanced security entitlements. Now it's being tested on fish, so that a medical record for each salmon can be stored. See the video in the 'Watching list'.

[READ MORE](#)