

UN ADOPTS 17 NEW SUSTAINABLE DEVELOPMENT GOALS

The UN's Millenium Development Goals have largely been met and the focus is on the new SDGs (and their targets) and their financing. But, are they now over-ambitions with 17 Sustainable Development goals and 169 targets?

PREPARATION

We reported in January that the U.N. Development Program (UNDP) will not cut the number of sustainable development goals, despite criticisms that it is too long and “unwieldy” to be effective. Of note, several goals deal specifically with environmental issues: water, energy, oceans, forests, including one that echoes President Obama’s recent plan – #13: Take urgent action to combat climate change and its impacts. The 17 new SDGs will replace the eight Millennium Development Goals (MDGs) which were adopted at a summit in 2000 and are to be completed by the end of 2015. (Sustainable Insights: Edition 104).

Most of the SDGs’ predecessors, the Millennium Development Goals (MDGs), have been met, largely because of progress in China and India. But there were just eight of them, focused on cutting extreme poverty and improving health care and

education, all clearly defined. By contrast there are 17 SDGs and a whopping 169 “associated targets”, covering world peace, the environment, gender equality and much more. Many are difficult to measure.

ADOPTION

The 193 member states of the United Nations adopted 17 Sustainable Development Goals (SDGs), to be achieved by 2030. The new SDGs will aim to “eradicate hunger and extreme poverty, reduce inequality within and between states, achieve gender equality, improve water and energy management, and take urgent action to combat climate change”.

“The new agenda is a promise by leaders to all people everywhere. It is an agenda for people, to end poverty in all its forms – an agenda for the planet, our common home.”

-UN Secretary-General Ban Ki-moon

FINANCING

The International Monetary Fund (IMF) announced in July that it is increasing its lending to the world’s poorest countries by 50 percent. This is part of its full revamp of its operations to help developing countries meet their economic development goals. The announcement came ahead of a United Nations conference on how to finance development when global growth is slowing and foreign aid budgets shrinking. Director Christine Lagarde warned that implementing the goals will be a challenge in a time of weaker global growth. “It would be a lot easier if the world was cruising at 5.5 (percent), 6 percent global growth than it is at the moment,” she said at a Brookings Institution event. An estimated \$2 trillion to \$3 trillion in new investment is needed to achieve the United Nation’s agenda. (Sustainable Insights: Edition 100).

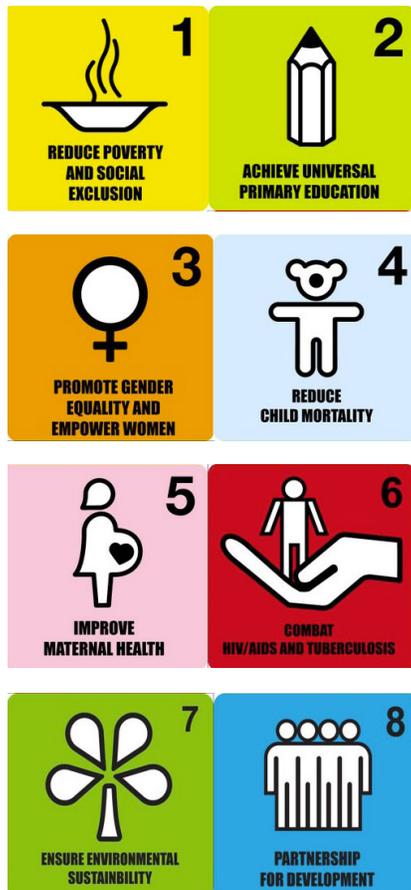


The UN displayed the goals on the facade of its headquarters during the summit
UN Photo/Cia Pak

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SUSTAINABLE TRENDS

UN MILLENIUM DEVELOPMENT GOALS



Source: <http://www.live58.org/millennium-development-goals-where-are-we-now>

UN SUSTAINABLE DEVELOPMENT GOALS



Source: <http://www.wri.org/blog/2015/09/sustainable-development-goals-setting-new-course-people-and-planet>

THE LEAD UP TO COP 21 IN Q3 2015

This quarter saw significant progress in the lead up to the Climate Talks in Paris at the end of the year. Here is a recap (click on the date for further details):

July 3, 2015

China formally committed to curbing its greenhouse gas emissions within the next 15 years. South Korea has finalized its 2030 target of [reducing greenhouse gas emissions](#) by 37 percent from business-as-usual (BAU) levels.

July 31, 2015

Several large U.S. corporate names pledged their support, committing billions of dollars in green financing pledges.

August 21, 2015

44 trillion USD is the estimated cost of not combating climate change according to a recent Citigroup report.

JULY

AUGUST

July 17, 2015

Japan – the world’s fifth largest emitter of greenhouse gases – will cut greenhouse gas emissions by 26 percent by 2030 from 2013 levels.

August 14, 2015

3.1 Celsius is the forecasted rise in global temperatures taking into account the current pledges for COP21.

August 28, 2015

100 days to go until COP 21.

October 2, 2015

China announced that it will launch a national cap-and-trade emissions; Mark Carney, [Bank of England](#) Governor, said in September that “companies must be more open about their ‘climate change footprint’”; US finalizes Clean Power Plan.

September 18, 2015

President Obama hopes to make progress with China; Meanwhile, India [sent mixed messages about its plans for addressing climate change](#).

September 4, 2015

U.N. Secretary-General Ban Ki-moon had a [closed-door meeting](#) in NYC because he was frustrated by the slow progress on climate talks leading up to the meeting in December.

OCTOBER

SEPTEMBER

September 25, 2015

Nearly 440 companies have put an internal price on their greenhouse-gas emissions for planning purposes, up from 150 least year, the CDP reports.

September 11, 2015

A common theme keeps resurfacing in climate negotiations: How should people who are impacted and displaced by extreme weather, which is intensified by global warming, be helped and compensated? Weather-related losses have risen to well over USD 100B per year, [according to the World Bank](#).



SAVE THE DATE

Paris Climate Talks

[November 30 - December 11](#)

[UNFCCC Secretariat, Paris, France](#)

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UPDATE: HEALTH & DISEASE

Over the last year or so, we've written a lot about developments in disease, antibiotics and vaccinations. There has been an increase in news around vaccinations, Ebola, climate change effects including vector-borne diseases, and diet. In our annual predictions piece, we highlighted the overuse of antibiotics; However, the debate seems to have moved on from "superbugs" and antibiotics to sanitation and disease eradication.

LACK OF SANITATION AFFECTING GLOBAL HEALTH

Lack of sanitation is threatening to undermine the child survival and health progress that has been made, says the World Health Organization (WHO) and UNICEF. There has been progress on issues such as access to [safe drinking water](#) and toilets, but it might be undermined by poor sanitation conditions, warned WHO and UNICEF who co-authored a [report](#) tracking access to drinking water and sanitation against the Millennium Development Goals (MDG).

While there has been progress in some areas, very little has changed for the poorest developing countries. "What the data really show is the need to focus on inequalities as the only way to achieve sustainable progress," said Sanjay Wijesekera, head of UNICEF's global water, sanitation and hygiene programs. "The global model so far has been that the wealthiest move ahead first, and only when they have access do the poorest start catching up. If we are to reach universal access to sanitation by 2030, we need to ensure the poorest start making progress right away."

[\(Sustainable Insights: Edition 99\).](#)

PROMISING MEDICAL PROGRESS

The third quarter saw promising progress in several medical-related areas. After a teenager in France was effectively cured of the [AIDS virus](#), researchers now aim to replicate those results on a grander scale. Researchers are attempting to find a cure by treating HIV shortly after infection, then interrupt the regimen to see whether the virus returns. [READ MORE](#)

Five developing regions achieved the MDG target for drinking water

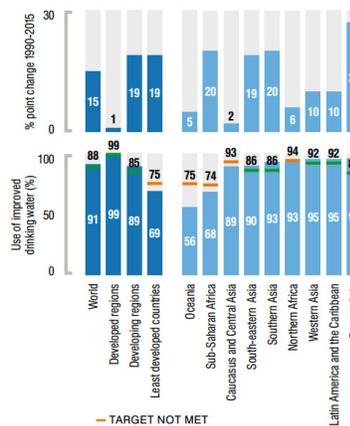


Fig. 2 Use of improved drinking water sources and MDG target in 2015, and percentage point change from 1990 to 2015

MDG sanitation target

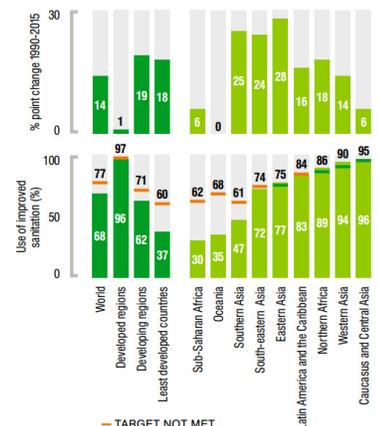


Fig. 5 Use of improved sanitation and MDG target in 2015, and percentage point change from 1990 to 2015

Source: http://apps.who.int/iris/bitstream/10665/177752/1/9789241509145_eng.pdf?ua=1

A [study](#) published in July in [The Lancet](#) found that an inexpensive cholera vaccine appears to give individuals more than 50 percent protection against cholera and reduced life-threatening episodes of the infection by about 40 percent in Bangladesh, where the disease is prevalent. This vaccination – which costs \$3.70 per dose – could be game-changing for regions such as Haiti, which experienced a cholera epidemic in 2010 that killed nearly 10,000 people. [\(Sustainable Insights: Edition 100\).](#)

Meanwhile, in July the last four victims of Ebola in Liberia were released from a treatment clinic in the country's capital. There are no more confirmed carriers of the deadly virus in the West African country. [\(Sustainable Insights: Edition 102\).](#)

Malaria deaths have fallen by [60 percent](#) globally. [\(Sustainable Insights: Edition 110\).](#) The World Health Organization (WHO) believes that malaria cases and deaths could both fall by another 90% in the next 15 years. [READ MORE](#)

AIR POLLUTION A MAJOR KILLER; BUT IS IT OVERESTIMATED IN CHINA?

Air pollution is everywhere (literally!). WHO has identified it as a major killer. A number of high profile cities struggle to come to terms with it – developing and developed – although the numbers are disputed. Our lifestyles – commuting in cars – seems to be adding to the problem.

AIR POLLUTION-RELATED DEATHS

Deaths caused by air pollution are rising. A recent [study](#) published in the journal [Nature](#) found that air pollutants, such as ozone and tiny particles, kills about 3.3 million people worldwide and could cause the [premature death](#) of about 6.6 million people a year by 2050 unless clean-up measures are taken. The majority of those dying today from outdoor air pollution are in Asia where residential energy emissions are having a major impact. The U.S. comes in at [number seven](#) when ranked by the most deaths from outdoor air pollution. Experts from King’s College London combined the effects of nitrogen dioxide (NO₂) and a particulate matter known

as PM_{2.5} and found that nearly 10,000 deaths in London were associated with air pollution in 2010 ([Sustainable Insights: Edition 101](#)). Air pollution-related deaths are most commonly from strokes, heart disease, or chronic obstructive pulmonary disease (COPD), a lung disease. Air pollution is also linked to deaths from lung cancer and acute respiratory infections. [Read the report in Nature \(Sustainable Insights: Edition 110\).](#)

HEALTH AND CLIMATE CHANGE

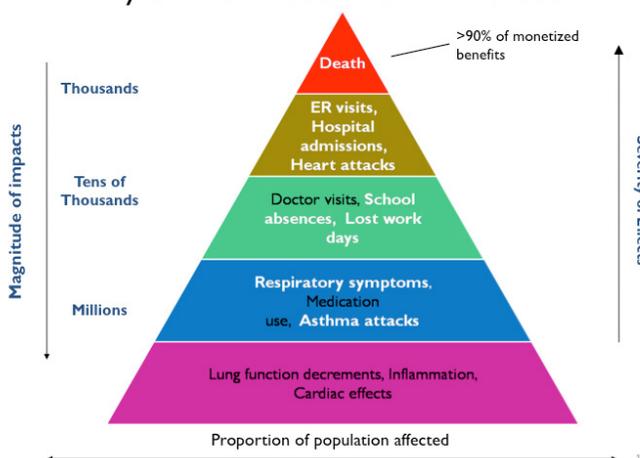
Scientists agree that warmer weather due to climate change has an effect on health, but they say it is only one part of an [immensely complex set of forces](#) that are influencing health. In 2000, the first National Climate Assessment, a government document weaving together the best evidence on climate change, had just 21 pages on health. The most recent assessment included a special section on health that filled more than 400 pages. ([Sustainable Insights: Edition 101](#)).

AIR POLLUTION IN CHINA: DEVASTATING BUT OVERESTIMATED?

Last year [Berkeley Earth](#) began collecting and analyzing the world’s air pollution data. A new scientific paper, [Killer Air](#), on air pollution in China, includes data for 16 months, April 2014 through August 2015. It found that 1.6 million people are dying every year from air pollution in China. It also [identified the sources](#) of the air pollution.

Meanwhile, a different report published in August in [Nature](#) found that China’s carbon emissions may be significantly lower than previously thought — about 14% less in 2013 than estimated by the Chinese government and others. ([Sustainable Insights: Edition 106](#)).

A “Pyramid of Effects” from Air Pollution



Source: <http://www2.epa.gov/benmap/how-benmap-ce-estimates-health-and-economic-effects-air-pollution>

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BANKING AND CLIMATE CHANGE: WHOSE BUSINESS IS IT?

INVESTMENT BANKS COMMIT TO ESG

In July we reported that several investment banks are pursuing [social impact bonds](#), despite mixed success of similar bonds. As part of a recent social impact program – a plan to reduce recidivism at New York’s Rikers Island jail – one bank lost USD 1.2 million, which would have been recouped had the program met its goals.

Nonetheless, “the idea of social impact bonds, also called pay for performance contracts, has appeal for those who continue to participate in and seek deals in that space” officials at the firms told Reuters.

Meanwhile, another bank announced that it will increase its environmental push by pledging to increase the bank’s current [environmental business initiative](#) from USD 50 billion to USD 125 billion in low-carbon business by 2025 through lending.

A Dutch bank will become the first bank to [commit to reporting on human rights](#) using the UN Guiding Principles Reporting Framework. The [UNGP Reporting Framework](#) is supported by an investor coalition of over 80 global investors representing over \$4.25 trillion assets under management. Lastly, a new lending and investment policy [tool](#) for financial institutions was released ([Sustainable Insights: Edition 103](#)). More recently, Investment banks signed a joint [statement](#) calling for leadership in [addressing climate change](#) ([Sustainable Insights: Edition 113](#)).

SHOULD CENTRAL BANKS COMMENT ON CLIMATE CHANGE?

Mark Carney, [Bank of England](#) Governor, said that “companies must be more open about their ‘climate change footprint’ to avoid abrupt changes in asset prices that could destabilize markets.” He warned in a [speech](#) at Lloyds of London that the speed at which fossil fuel assets could be repriced to reflect the [impacts of climate change](#) could pose huge financial risks to British insurers and other institutional and individual investors.

“Risks to financial stability will be minimized if the transition begins early and follows a predictable path,” Carney told the insurance market event. Carney’s remarks were discussed at the [International Monetary Fund/World Bank annual meeting](#) in Peru ([Sustainable Insights: Edition 112](#)).

His comments raised questions about his role in discussing climate change. Tony Yates, a professor of economics at Birmingham University criticized Carney for over-reaching, warning that future governors may be “selected for their views on things other than money and finance”. Others argue that Carney’s remarks regarded the financial risks posed by global warming and merited discussion.

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UPDATE: CORPORATE GOVERNANCE & TRANSPARENCY

MIXED MESSAGES

In Japan, one of the largest lenders will set new criteria to reduce the practice of [cross-shareholding](#), long criticized as fostering close relationships between senior leadership and large shareholders.

However, thousands of miles south of Japan, an Australian court [dismissed a test case](#) brought forth by the Australasian Centre for Corporate Responsibility centered around the rights of [Australian shareholders](#) to bring resolutions forward at the AGMs of Australian companies.

VOTING

This quarter saw more active voting, with 536 proposals on S&P 500 companies have been voted on so far in the 2015 proxy season, up from 500 at the same time last year ([Sustainable Insights: Edition 106](#)). Of those, 57 proposals to split the Chair and CEO role were submitted in the US in the first half of 2015. Only three were carried ([Sustainable Insights: Edition 108](#)). Norges Bank alone voted on 105,228 resolutions in 2014 ([Sustainable Insights: Edition 105](#)).

US Proxy Voting Trends (S&P 500)

A [report by Sullivan & Cromwell](#), LLP summarizes this year's proxy season:

- More proposals have been made and support has been substantially stronger
- 82 proxy access proposals in 2015 (versus 17 in 2014).
- Shareholders approved 48 proposals to date in 2015 (versus five in 2014).
- Overall governance proposals dropped 6%, with majority election of directors and board declassification proposals in particular being proposed much less frequently than in prior years. ([Sustainable Insights: Edition 106](#))

RISE IN CORPORATE TRANSPARENCY

Multiple employer pensions (MEPs) in the EU announced this quarter that large firms and listed companies should be required to disclose information, on a country by country basis, on profits made, tax paid on profits and public subsidies received.

The proposed amendments intend to “boost transparency and foster shareholders’ long-run commitment to companies,” as well as fight tax evasion and tax avoidance. The amendment was approved by 556 votes to 67, with 80 abstentions.

Meanwhile, The California State Teachers’ Retirement System (CalSTRS) issued [guidelines](#) for what it considers the composition of a high-performing corporate board of directors. Some of these qualities include independent leadership, diversity, board succession planning and accountability measures.

“We think these best practices will help corporate leaders decide how best to structure their boards to optimize long-term corporate performance,” said CalSTRS Corporate Governance Director Anne Sheehan. A deeper dive on CalSTRS corporate governance principles can be found [HERE](#) ([Sustainable Insights: Edition 100](#)).

In August, the U.S. Securities and Exchange Commission (SEC) adopted a disclosure rule, mandated by the Dodd Frank Act that requires a public company to disclose the [ratio of the compensation](#) of its chief executive officer (CEO) to the median compensation of its employees. However, the rule provides companies with ‘substantial’ flexibility in calculating this pay ratio. It is expected to inform shareholders when voting on “say on pay” in proxy statements by providing them a CEO’s compensation and the pay ratio. Companies will be required to begin disclosing in their fiscal year 2017. ([Sustainable Insights: Edition 105](#))

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UPDATE: CORPORATE GOVERNANCE & TRANSPARENCY

In [Insights 103](#) we noted that this may impact a company's bottom line. [Research from the Harvard Business School](#) says that consumers prefer firms with lower CEO-to-Worker pay ratios.

A month later nearly every U.S. Senate Democrat called on the Securities and Exchange Commission (SEC) to require public companies to disclose corporate [political spending](#). In addition, in a move to help reverse the effects of the [Supreme Court's 2010 Citizens United](#) ruling, Democratic presidential candidate Hilary Clinton says that she would also "push for federal legislation demanding more 'effective' disclosure of [political spending](#) and urge the SEC to require publicly traded companies to disclose all political spending to their shareholders".

Meanwhile, the Republican-controlled U.S. House of Representatives has been trying to prevent the SEC from mandating disclosure of corporate political spending.

[\(Sustainable Insights: Edition 109\).](#)

PRESSURE FROM NGOS

In July [SASB](#) issued preliminary sustainability accounting standards for Consumption Industries. Examples of disclosure topics include food safety, labeling & marketing integrity, climate change adaptation, and supply chain management. Over two-thirds of the metrics are quantitative. More key dates and status [here \(Sustainable Insights: Edition 99\).](#)

Meanwhile, 100 signatories signed the [Climate Disclosure Standard Board's](#) "Statement on Fiduciary Duty and Climate Change Disclosure" [\(Sustainable Insights: Edition 108\).](#)

CORPORATE GOVERNANCE IN JAPAN

Investors are criticizing Japan's corporate governance practices after an independent report criticized the [management](#) of a major company for inflating profits by \$1.2 billion over several years. Corporate governance experts and institutional investors are calling for harsher criminal sanctions for fraud and whistleblower protections to improve corporate transparency.

Prime Minister Shinzo Abe has implemented several measures to improve corporate governance as part of his plan to improve Japan's economy and entice more foreign capital. In June, the government introduced new rules requiring listed company boards to appoint at least two outside independent directors. [\(Sustainable Insights: Edition 102\).](#)

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THIS QUARTER BY THE NUMBERS...

ENVIRONMENT

73
percent of investment professionals worldwide take into account environmental, social, and corporate governance issues.

25
percent of the EU electricity could be supplied by wind by 2030.

18
million hectares (45 million acres) of tree cover was lost in 2014.

5.5
billion dollars was the revenue from organic U.S. farms last year according to the USDA.

8
cm (3 inches) is the average rise in global sea levels since 1992.

ECONOMICS

108
million US Dollars annually is the estimated loss if Harvard sold its holdings in the largest oil, gas and coal companies.

90.3
million dollars is the amount raised by the first Indian corporate green bond issued for CLP Wind Farms.

60
billion Rand (\$6.6bn) is the estimated cost to clean-up South Africa's derelict mines.

44
trillion USD is the estimated cost of not combating climate change.

27
percent is how much higher India's GDP would be if the country had as many of its women working as men.

HEALTH

70,000
ways to get sick, hurt or mortally injured in the US.

60
percent is the rate that malaria deaths have fallen by globally.

10
million is the estimated number of 'inappropriate' prescriptions in England annually.

10
million people could face hunger in 2015 and 2016 because of El Nino.

1
in 12 adults worldwide now has Type 2 diabetes.

QUOTE OF THE QUARTER

“We wouldn't get on a plane if there was a 5% chance of the plane crashing, but we're treating the climate with that same level of risk in a very offhand, complacent way.”

—Nick Robins, co-director of the Inquiry into the Design of a Sustainable Financial System at the UN Environment Programme

QUARTER 3 READING LIST



UN Sustainable Development Goals ([link](#))



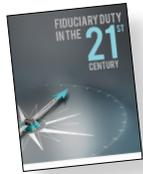
OECD: Trends in Income Inequality and its Impact on Economic Growth ([link](#))



Sustainable Investments Institute: Mixed Results for 2015 Proxy Season on Social & Environmental Issues ([link](#))



ECCE: Environmental Performance and the Cost of Capital: Evidence from REIT Bonds and Commercial Mortgages ([link](#))



UN Global Compact, UNEP Finance Initiative, PRI, Inquiry: Fiduciary Duty in the 21st Century ([link](#))



The Economist: The Cost of Inaction: Recognising the Value at Risk from Climate Change ([link](#))



Climate Policy Institute: The Landscape of Climate Exposure for Investors ([link](#))



McKinsey: How Companies Can Adapt to Climate Change ([link](#))



IMF: Causes and Consequences of Income Inequality: A Global Perspective ([link](#))



SASB: Sustainability Accounting Standards for Consumption Industries ([link](#))

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