SUSTAINABLE INSIGHTS

Sustainable Insight CAPITAL MANAGEMENT

Week ending August 28, 2015

Edition 107

MAJORITY OF INVESTORS CONSIDER ESG SAYS CFA SURVEY

Survey says nearly three quarters of investment professions use ESG when making investment decisions

The CFA Institute released a survey this week that found that 73 percent of investment professionals worldwide take into account environmental, social, and corporate governance issues. The survey had 1,325 valid responses.

Sixty four percent of survey respondents consider governance issues, 50 percent consider environmental issues, and 49 percent consider social issues in investment decisions. Twenty seven percent do not consider ESG issues.

In addition, 78 percent of respondents selected “board accountability”, “human capital”, and “executive compensation” as a 4 or a 5 on a 5-point scale of importance. Seventy five percent of investors get ESG information from public information, while 66 percent get it from third-party research.

“CFA Institute believes that every investment analyst should be able to identify and properly evaluate investment risks, and ESG issues are a part of this,” said Paul Smith, CFA, president and CEO, CFA Institute.

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Change of date: September 21, 2015

We reported in Insights 105 that Fossil Free UK planned to disclose the fossil fuel holdings of every local authority pension fund in the UK on September 1st. It has been postponed until September21st. READ MORE

AUSTRALIAN SUPER FUND DIVESTS FROM TRANSFIELD, SPARKING CONTROVERSY

This week, NGS Super, the A$7bn Australian pension fund announced that it will divest from Transfield Services, an outsourcing firm. The divestment announcement has been controversial, sparking accusations of political posturing and “prompted calls for legislation to ensure more independent directors on union-dominated super fund boards.”

Fiona Reynolds, managing director of the PRI, has said criticism of divestment from Transfield Services is part of a push by the Australian government to limit union influence on supers’ boards. “In terms of responsible investment, super funds with equal representation have been the most progressive on responsible investment.”

Moreover, super fund boards have also come under scrutiny for their relatively low representation of women on the boards. READ MORE

THIS WEEK IN NUMBERS...

100
days to go until COP 21 conference on climate change in Paris.

51
hours is what the average Belgium driver spends in traffic. Belgium is the most congested country in Europe.

50-70
billion USD is the forecast for the issuance of green bonds, up from USD 37 bn in 2014.

42
hours traveling is the average auto commute in the US in 2014, up from 18 hours in 1982.

35
billion USD is the estimated cost of the 1997-1998 El Nino.

17
is the number of sustainable development goals proposed by the UN.

16
years after the signing of the OECD Convention on Combating Foreign Bribery, 20 countries have little or no enforcement.

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

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WATER THREAT – REAL OR IMAGINED?

Experts are now claiming that past predictions of increasing battles around the world over water may be exaggerated, noting that historically only a handful of disagreements between countries over shared limited water resources lead to armed conflict.

"While water is fundamental to development and national security and can contribute to hostile situations, very few disagreements have led to conflict", said Therese Sjomander Magnusson, the director of transboundary water management for the Stockholm International Water Institute (SIWI). "It is a myth that water leads to war," she noted.

World Water Week is September 23rd-28th

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WHAT WE'RE KEEPING AN EYE ON

The Water Risk Monitizer

The Water Risk Monetizer is a new free tool that helps businesses better assess the value of water to their operations based on current and future water risks. It is industry's first publicly available financial modeling tool.

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CARBON CREDITS – UNINTENDED CONSEQUENCES?

A new study from the Stockholm Environment Institute (SEI) found that carbon credits generated by Russia and the Ukraine may have in fact increased emissions, instead of addressed climate change, as intended. The carbon offset credits, created under a U.N. scheme to tackle climate change, were generated from projects that in some cases produced chemicals rather than destroying them.

The study looked at a random sample of 60 projects and found that "73% of the offsets generated didn't meet the key criteria of additionality". In other words, these projects would have happened anyway without any carbon credit finance. The authors claim the projects may have even been fake. All in all, they may have undermined EU emissions reduction targets by 400 million tonnes of CO_2 .

BELIEVE IT OR NOT

Since 2004 there has been a shift in the trend of emissions observed above the Middle East. The better air quality is due in part because of air quality control, political factors and armed conflict in the region. Who predicted that?

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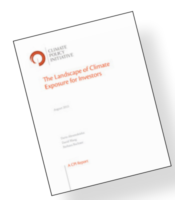
What we're reading

"Climate change presents both significant portfolio risks and new market opportunities to investors."



The Landscape of Climate Exposure for Investor, August 2015 (link) by the Climate Policy Institute