

INSIGHTS

For the Mainstream Investor

WEEK ENDING APRIL 27, 2018 EDITION 242



Sustainable Insight
CAPITAL MANAGEMENT

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THE COST OF CORRUPTION

In need of co-operation

Sustainable Development Goal 16 aims to promote peaceful and inclusive societies as well as 'accountable and inclusive institutions at all levels'. When agreeing this Goal, the UN noted that in 2015, 'over 18% of firms worldwide reported receiving at least one bribery payment request. The share of firms in low- and lower-middle-income countries totalled 25%'. Now the OECD is reporting that 'bribes eat up an estimated US\$1,500 to 2,000 billion, the equivalent of 2% of global GDP'. So what is proposed to tackle this problem? Co-operation between national and international tax and law enforcement agencies is strongly recommended.

THE ESG DIVIDE

Equities and FI

In October last year, the World Bank and the Japan's Government Pension Investment fund (GPIF) announced a collaborative research project which would examine ways of channeling more capital into sustainable fixed income portfolios. The report, written by an independent consultant and a World Bank specialist, found that although FI was 'catching up fast' with equity markets, there were significant constraints on the adoption of ESG in fixed income investing. Problems with ESG adoption included no standard definitions of ESG, how to pursue engagement (notably with sovereigns), the role of ESG metrics in credit ratings and a lack of ESG products in FI markets.

THIS WEEK IN NUMBERS

31,000

square miles (80, 000 sq. km) of Colombia's land is to be added to its protected areas

200

billion US\$ of financing has been committed by Wells Fargo to low carbon projects by 2030

117

of the 417 sites in the US National Park Service system charge an entrance fee

116.5

million infants globally received three doses of diphtheria-tetanus-pertussis vaccine in 2016

79

billion cubic meter water reservoir by the Grand Renaissance Dam is soon to be filled by Ethiopia which could take a minimum of three years

73

percent of Millennials are willing to pay more for sustainable products, but only if they are convinced that the product is truly sustainable

20

percent reduction in CO2 emissions has been targeted by Hapag-Lloyd, the shipping company, by 2020, when compared with 2016

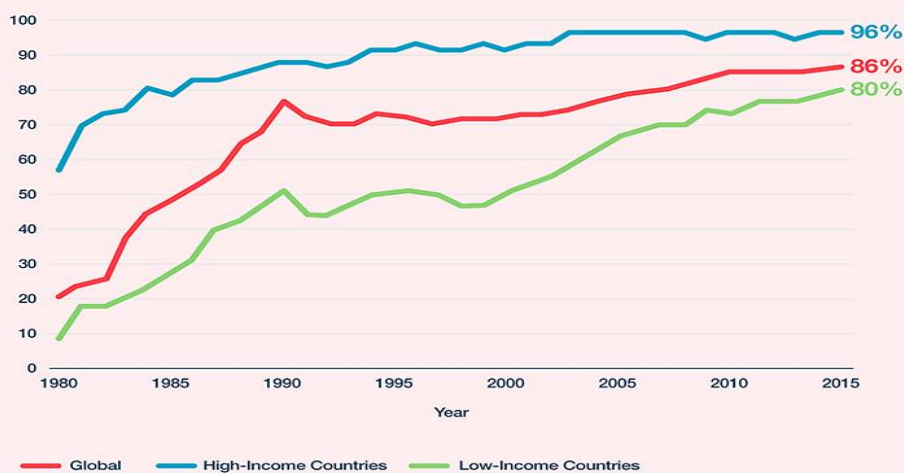
18.3

% is the blended (actual and estimated results) year-on-year earnings growth for the first quarter for the S&P 500

INFOGRAPHIC OF THE WEEK

Global Vaccination Coverage at Its Highest

Coverage with three doses of diphtheria-, tetanus-, and pertussis-containing vaccines (DTP3), by country income levels, 1980–2015



Source: WHO/UNICEF

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UNIVERSAL BASIC INCOME

Backtracking?

A number of countries have been experimenting with a [universal basic income](#). This payment is made to eligible adults by the government and is not dependent on income so is not means-tested. Often there are no preconditions imposed on the recipient. [Finland](#) has just announced that it will not extend its two year trial, meaning it will end in January 2019. Under this program, 2,000 people received Euro 560 (US\$ 685) per month. Other countries experimenting with this include Brazil (in Sao Paulo), Canada (in Ontario) Kenya (in Nairobi) and the Netherlands (in Utrecht).

WE'RE WATCHING

There has been plenty of interest in non-voting shares, but what about corporates buying votes? The Canadian Securities Administrators (CSA) has promised to examine whether companies should be allowed to pay [fees](#) to investment dealers for securing favorable shareholder votes. The Canadian coalition for Good Governance calls this practice 'vote-buying'.

BAD NEWS

Climate change makes no allowances for [World Heritage sites](#). A UNEP & UNESCO report warns of the effects on such sites which include, Bwindi National Park (Uganda) Galapagos (Ecuador), Rapa Nui/Easter Island (Chile), Stonehenge (UK), Venice (Italy) Wadi Rum (Jordan) and Yellowstone National Park (US).

CORPORATE PAY

Further transparency required

Next month, the UK Government is proposing [legislation](#) which will require companies to publish the ratio of CEO pay to the average worker's salary. In 2016, this ratio was 129:1 in the UK, according to the High Pay [Centre](#). The aim of the impending governance rules is to both public and private companies to demonstrate they have acted in the best interests of not only shareholders, but also employees, suppliers and customers. Opinion is divided as to whether such pay ratios will be effective. However, [Wells Fargo](#) CEO's pay ration, 291 median compensation has stirred a backlash from some employees.

WHICH WAY NOW?

The US Department of Labor has released [guidelines](#) saying that ESG investments are not always the 'prudent choice' for retirement accounts and warned about assuming that such factors could be 'too readily treating ESG issues as being economically relevant'. This reverses previous guidance issued in the Obama era.

POLITICS AND ESG

CalPERS CEO has received a [letter](#) from congressional Democrats representing California encouraging the state's pension fund to divest any auto-manufacturer that follows new rules to relax emission standards.

READING LIST

- What is sustainable finance? - [The Economist](#)
- Future Shocks: The Global Risks Report 2018 - [Zurich](#)
- The rise of the social enterprise – [Deloitte Insights](#)
- UK Energy Atlas – [Friends of the Earth Europe](#)

LISTENING LIST



Are nerve agents out of control? – [BBC World Service](#)



Serve the Country, Save the Parks – [After the fact](#)

BELIEVE IT OR NOT

Mosquitoes kill more people in one day than sharks have killed in 100 years

[READ MORE](#)

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