

# Sustainable Investment Highlights

Quarter ending June 30, 2018



## Clean Energy

### 1. Solar energy gets a domestic tailwind and an international headwind

#### California's new requirement for solar energy

California passed a law requiring solar panels to be built on all new homes being constructed after January 1<sup>st</sup>, 2020. It is the first state to require all new homes to have solar power, and this follows suit with a recent state law requiring at least 50% of electricity to come from non-carbon-producing sources by 2030. This requirement will add thousands of dollars to housing costs even when affordable housing is one of the state's most pressing issues. On the other hand, lawmakers and clean-energy advocates argue that the extra cost will be made up for over the long run with lower electricity bills.<sup>1</sup>

#### China cuts solar support policies

On May 31st, Chinese policy makers announced that the country is ending its feed-in-tariffs subsidy program for solar panels. Additionally, China is halting the construction of new solar projects for the remainder of 2018<sup>2</sup>. This announcement is a hit to the solar industry as China is the world's largest solar panel producer, accounting for two-thirds of new solar installations in 2017. The new policy's goal is to slow solar industry growth as it boomed under subsidies, leading to a more than \$15 billion deficit. Analysts cut their forecasts for the solar industry after the announcement.<sup>3</sup>

### 2. Solar jobs now dominate coal

The *2018 U.S. Energy and Employment Report* by the National Association of State Energy Officials and the Energy Futures Initiative found that solar energy accounted for more than twice as many jobs as the coal industry over the past year. In fact, the roughly 350,000 solar energy jobs exceeded the amount of coal, nuclear, and wind energy jobs combined. Solar energy only fell second to natural gas, which accounts for about 380,000 jobs.<sup>4</sup>

<sup>1</sup> Penn, I. (2018). California Will Require Solar Power for New Homes. [online] Nytimes.com. Available at: <https://www.nytimes.com/2018/05/09/business/energy-environment/california-solar-power.html> [Accessed 27 Jun. 2018].

<sup>2</sup> Groom, N. (2018). Global solar forecasts lowered as China cuts support policies. [online] Reuters.com Available at: <https://www.reuters.com/article/us-china-solar/global-solar-forecasts-lowered-as-china-cuts-support-policies-idUSKCN1J231I> [Accessed 27 Jun. 2018].

<sup>3</sup> Baker, J. (2018). Solar Leader China Is Slashing Its Subsidies On Solar Power -- What You Need To Know. [online] Forbes.com. Available at: <https://www.forbes.com/sites/jillbaker/2018/06/18/solar-leader-china-is-slashing-its-subsidies-on-solar-power-what-you-need-to-know/> [Accessed 27 Jun. 2018].

<sup>4</sup> The 2018 U.S. Energy and Employment Report. [online] usenergyjobs.org. Available at: <https://static1.squarespace.com/static/5a98cf80ec4eb7c5cd928c61/t/5afb0ce4575d1f3cdf9ebc36/1526402279839/2018+U.S.+Energy+and+Employment+Report.pdf> [Accessed 27 Jun. 2018].

### 3. Lyft rides are now carbon-neutral

John Zimmer and Logan Green, the co-founders of Lyft, published a letter on April 19th announcing Lyft's newest social good initiative: fighting climate change by purchasing carbon credits for every mile driven.<sup>5</sup> Each credit is equivalent to one ton of carbon dioxide, and is used to reduce the total amount of harmful gases released into the atmosphere.<sup>6</sup> In purchasing carbon credits, Lyft seeks to offset its own emissions by investing in initiatives to prevent an equivalent amount of carbon pollution. Lyft will purchase carbon credits from 3Degrees, a sustainability company that will invest into projects such as an Oklahoman wind energy farm, oil recycling in Ohio, and a manufacturing emissions reductions project in Michigan. All projects will be verified under third-party organizations like the American Carbon Registry.<sup>7 8</sup>

Lyft will be one of the top voluntary purchasers of carbon offsets in the world. The company expects to offset over a million metric tons of carbon in the first year alone—this is equivalent to taking hundreds of thousands of cars off the road.

### 4. Electric vehicle sales hit a worldwide record

According to the *2018 Bloomberg New Energy Finance Electric Vehicle Outlook* report, electric vehicle sales hit a worldwide record of 1.1 million vehicles in 2017 and are expected to continue to grow. China will lead the sales increase which is predicted to reach 30 million in 2030. Analysts forecast that electric vehicles will eventually become cheaper to produce than internal combustion cars. If the predictions are correct, then global oil consumption will scale down considerably.<sup>9</sup>

### 3. Repercussions after China's decision to stop importing world's recycling

Since January 1<sup>st</sup> of this year, China has banned imports of certain kinds of waste, including recycling waste. Recently the policy expanded to include

“The stark reality is that transportation is one of the largest sources of greenhouse gas emissions. As a growing part of the transportation ecosystem, we are holding ourselves accountable to being part of the solution.”

-- Zimmer and Green, Founders of Lyft

<sup>5</sup> “All Lyft Rides Are Now Carbon Neutral,” Lyft Corp. press release, April 19, 2018. Available at: <https://medium.com/@johnzimmer/all-lyft-rides-are-now-carbon-neutral-55693af04f36> [Accessed 27 Jun. 2018].

<sup>6</sup> Stillman, J. (2008). What is carbon credit? [online] Cbsnews.com. Available at: <https://www.cbsnews.com/news/what-is-carbon-credit/> [Accessed 27 Jun. 2018].

<sup>7</sup> Meyer, R. (2018). Your Lyft Ride Is Now Carbon-Neutral. Your Uber Isn't. [online] Theatlantic.com. Available at: <https://www.theatlantic.com/science/archive/2018/04/all-lyft-rides-are-carbon-neutral/> [Accessed 27 Jun. 2018].

<sup>8</sup> 3Degrees. (2018). Lyft combats climate change with every ride. [online] 3Degrees.com. Available at: <https://3degreesinc.com/lyft-combats-climate-change-with-every-ride/> [Accessed 27 Jun. 2018].

<sup>9</sup> Bloomberg NEF. (2018). Electric Vehicle Outlook 2018. [online] bnef.com. Available at: <https://about.bnef.com/electric-vehicle-outlook/> [Accessed 27 Jun. 2018].

items like steel waste, used auto parts, and old ships to the list of banned imports.<sup>10</sup> China's decision has had huge repercussions on the world's recycling network, since it was the world's largest importer of waste; China imported 72% of all plastic waste since 1992.<sup>11</sup> The U.S., the U.K., the EU and Japan were the top exporters to China<sup>12</sup>.

In the U.S., cities and towns are now dropping paper and plastic waste at the landfills as oppose to recycling them—a practice that has become too costly to employ. Australia is burning its waste in trash-burning plants.<sup>13 14</sup> Countries have also found new partner countries to export to, such as Thailand, Vietnam and Malaysia. However, these countries lack the infrastructure needed to adequately recycle the material.

Lawmakers all over the world are looking to reduce the amount of plastic waste through single-use plastic bans. The U.K. is planning to ban all plastic straws, cotton swabs, and single-use plastics.<sup>15</sup> The U.N. and several U.S. cities are looking into taking similar steps.<sup>16</sup> Many fear that the waste and specifically the plastic problem will only further pollute our oceans and waterways if we do not take action.

## Gender Equality & Reduced Inequalities

### 1. Activism to end venture capital inequalities

*Fortune* and PitchBook report that female founders received just 2% of venture capital dollars in 2017.<sup>17</sup> Additionally, the average deal size for a woman-led company in 2017 was just over \$5 million while for a man-led company, the deal size is around \$12 million. While there is no definitive answer for these striking statistics, one thought is that only roughly 8% of partners at top venture capital firms are women. The statistics are similarly perturbing for minorities seeking venture capital funding.

However, there has been positive movement in the venture capital sphere in hopes of reducing these inequalities. *The New York Times* and *Fortune* report on two founders

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<sup>10</sup> Shane, D. (2018). China refuses to recycle more of the world's trash. [online] Cnn.com. Available at:

<http://money.cnn.com/2018/04/20/news/economy/china-new-recycling-ban/index.html> [Accessed 27 Jun. 2018].

<sup>11</sup> Schlanger, Z. (2018). The world will finally have to confront its massive plastic problem now that China won't handle it. [online] Qz.com. Available at: <https://qz.com/1310240/chinas-ban-on-plastic-recycling-imports-means-the-world-will-have-111-million-metric-tons-of-extra-plastic-to-deal-with-by-2030/> [Accessed 27 Jun. 2018].

<sup>12</sup> Daley, J. (2018). China's Plastic Ban Will Flood Us With Trash. [online] Smithsonianmag.com. Available at: <https://www.smithsonianmag.com/smart-news/chinas-plastic-ban-will-flood-us-trash-180969423/> [Accessed 27 Jun. 2018].

<sup>13</sup> Albeck-Ripka, L. (2018). Your Recycling Gets Recycled, Right? Maybe, or Maybe Not. [online] Nytimes.com. Available at: <https://www.nytimes.com/2018/05/29/climate/recycling-landfills-plastic-papers.html> [Accessed 27 Jun. 2018].

<sup>14</sup> Abel, D. (2018). New China policies spark disarray in region's recycling industry. [online] Bostonglobe.com. Available at: <https://www.bostonglobe.com/metro/2018/06/04/new-china-policies-spark-disarray-region-recycling-industry/d9QH2jUtnVqRkaAL8kMkiL/story.html> [Accessed 27 Jun. 2018].

<sup>15</sup> Nace, T. (2018). UK To Ban All Plastic Straws, Cotton Swabs, And Single-Use Plastics. [online] Forbes.com. Available at: <https://www.forbes.com/sites/trevornace/2018/04/25/uk-to-ban-all-plastic-straws-q-tips-and-single-use-plastics/> [Accessed 27 Jun. 2018].

<sup>16</sup> Doyle, A. (2018). Ban plastic bags? U.N. seeks to cut pollution as recycling falls short. [online] Reuters.com. Available at: <https://www.reuters.com/article/us-environment-day-un/ban-plastic-bags-un-seeks-to-cut-pollution-as-recycling-falls-short-idUSKCN1j102Q> [Accessed 27 Jun. 2018].

<sup>17</sup> Zarya, V. (2018). Female Founders Got 2% of Venture Capital Dollars in 2017. [online] Fortune.com. Available at: <http://fortune.com/2018/01/31/female-founders-venture-capital-2017/> [Accessed 27 Jun. 2018].

whose venture capital firms seek to tackle the issues at hand. One fund invests only if managers agree to undergo training to reduce implicit bias that would inhibit their minority employee promotions and investment decisions in minority-founded businesses.<sup>18</sup> Another firm funds female, minority and LGBT entrepreneurs and invests in founders that capture ideas and markets representing the minorities of Silicon Valley.<sup>19</sup> Both are sparking activism in the venture capital arena.

## 2. New gender-oriented index

The U.K.-based company, Legal & General Investment Management (LGIM), has launched the first gender-oriented fund that focuses solely on U.K.-listed companies. The L&G Future World Gender in Leadership U.K. Index Fund (ticker: GIRL) envisions raising gender diversity standards by prioritizing allocations to companies that achieve higher levels of gender diversity. LGIM will score and rank companies according to four gender diversity measures: women on the board of directors, women executives, women in management, and women in the workforce. Preferred companies will reach a minimum of 30% representation of women in each of the four categories. LGIM is considering the incorporation of gender pay gap data as it becomes available.<sup>20</sup>

## Responsible Consumption, Production & Services

### 1. Dick's Sporting Goods' rifle restrictions

In February, Dick's Sporting Goods made the bold decision to stop selling assault-style rifles and high capacity magazines, and to raise the minimum age to purchase a gun from 18 to 21. Gun industry groups such as The National Shooting Sports Foundation and gun maker Mossberg terminated relationships with the company after this decision<sup>21</sup>. Critics such as The National Rifle Association berated Dick's Sporting Goods' decision. The company itself feared its stance on guns would negatively impact sales. However, the opposite happened. Interestingly, Dick's Sporting Goods posted higher quarterly profits and its shares rose.<sup>22</sup>

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<sup>18</sup> Carrns, A. (2018). Inventing New Ways to Solve Old Problems. [online] Nytimes.com. Available at: <https://www.nytimes.com/2018/05/24/business/inventing-new-ways-to-solve-old-problems.html> [Accessed 27 Jun. 2018].

<sup>19</sup> Marinova, P. (2018). Why This VC Is Betting on Women, People Of Color, and LGBTQ Founders. [online] Fortune.com. Available at: <http://fortune.com/2018/01/24/arian-hamilton-backstage-capital/> [Accessed 27 Jun. 2018].

<sup>20</sup> LGIM. (2018). Legal & General Investment Management launches first gender diversity fund focused on UK companies. [online] Legalandgeneralgroup.com. Available at: <https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-investment-management-launches-first-gender-diversity-fund-focused-on-uk-companies/> [Accessed 27 Jun. 2018].

<sup>21</sup> Isidore, C. (2018). Dick's Sporting Goods will stop selling assault-style rifles. [online] Cnn.com. Available at: <http://money.cnn.com/2018/02/28/news/companies/dicks-weapon-ban/index.html?iid=FL> [Accessed 27 Jun. 2018].

<sup>22</sup> Smith, A. (2018). Dick's soaring sales prove it can succeed without assault rifles. [online] Cnn.com. Available at: <http://money.cnn.com/2018/05/30/news/companies/dicks-sporting-goods-earnings/index.html> [Accessed 27 Jun. 2018].

## 2. Sturm, Ruger & Co. shareholder proposal

A shareholder proposal requiring Sturm, Ruger & Co. to produce a report by February 2019 detailing its gun safety initiatives and measures to monitor its products' connection to gun violence was successfully implemented. Despite Ruger's attempt to persuade the board against the proposal, a coalition of religious women and health care networks were successful in rallying investor support for the proposal. Shareholders also pushed for the company to loosen its ties to the National Rifle Association. Additionally, Amalgamated Bank, a New York bank with \$48 billion in institutional investment assets, used its financial influence to pressure Sturm, Ruger & Co. to adopt six reforms, threatening it would not support the re-election of one of the company's board members (who is also a board member of the NRA), if it did not comply.<sup>23 24</sup>

## 3. Companies under pressure for supporting ICE immigration policies

Several companies are facing backlash from investors and stakeholders for their roles in supporting the ongoing family separation crisis at the U.S. border. Shareholders of Abbott Laboratories, an American pharmaceutical company, are rallying support for removing the company's connections to General Dynamics, a defense contractor. General Dynamics is currently contracted with the US Department of Health and Human Services to provide the shelter care for the separated children at detention centers. Abbott's shareholders are working on a proposal to request General Dynamics's CEO, Phebe Novakovic, step down from her role as chair of the policy committee on Abbott's board<sup>1</sup>.

Many large technology companies are also supporting U.S. Immigration and Customs Enforcement (ICE) and have made millions of dollars doing so. Over 300 Microsoft employees signed a letter to CEO Satya Nadella calling to sever the relationship with ICE, which Nadella describes as a standard IT support contract.<sup>25</sup> According to public records, other companies working with ICE include Hewlett Packard Enterprise, Thomson Reuters, Motorola Solutions and Palantir.<sup>26</sup> Salesforce employees are also criticizing their company's work with the U.S. Customs and Border Protection agency.<sup>27</sup> Even educational institutions such as Northeastern University and Johns Hopkins University have active contracts with ICE.<sup>28</sup>

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<sup>23</sup> Hsu, T. (2018). Sturm Ruger Shareholders Adopt Measure Backed by Gun Safety Activists. [online] Nytimes.com. Available at: <https://www.nytimes.com/2018/05/09/business/sturm-ruger-shareholders-activists.html> [Accessed 27 Jun. 2018].

<sup>24</sup> Shell, A. (2018). Amalgamated Bank pressures Sturm, Ruger to take steps to reduce gun violence. [online] Usatoday.com. Available at: <https://www.usatoday.com/story/money/2018/04/19/amalgamated-bank-urges-sturm-ruger-curb-gun-violence/533650002/> [Accessed 27 Jun. 2018].

<sup>25</sup> Brandom, R. (2018). It's not just Microsoft: lots of tech companies are quietly helping ICE. [online] Theverge.com. Available at: <https://www.theverge.com/2018/6/20/17485238/ice-contract-microsoft-motorola-dell-hp-enterprise-deportation> [Accessed 27 Jun. 2018].

<sup>26</sup> Collins, Ben and Meghan Sullivan. (2018). Tech companies quietly work with ICE as border crisis persists. [online] Nbcnews.com. Available at: <https://www.nbcnews.com/tech/tech-news/tech-companies-quietly-work-ice-border-crisis-continues-n885176> [Accessed 27 Jun. 2018].

<sup>27</sup> Bergen, Mark and Nico Grant. (2018). Salesforce Staff Ask CEO to Revisit Ties With Border Agency. [online] Bloomberg.com. Available at: <https://www.bloomberg.com/news/articles/2018-06-25/salesforce-employees-ask-ceo-to-revisit-ties-with-border-agency> [Accessed 27 Jun. 2018].

<sup>28</sup> Glum, J. (2018). 15 Organizations Doing Business With ICE — and How Much They're Making. [online] Time.com. Available at: <http://time.com/money/5318933/organizations-doing-business-with-ice/> [Accessed 27 Jun. 2018].

On the other hand, many CEOs and companies across several industries are calling out the U.S. government's actions. Mark Zuckerberg of Facebook wrote that family separation needs to end immediately and he stated that he is donating money to groups that help immigrant families receive legal advice and translation services.<sup>29</sup> CEOs from Google, Apple, Twitter, Uber and Airbnb also weighed in. The Business Roundtable, which represents the CEOs of Walmart, General Motors, Boeing, JPMorgan Chase, Mastercard and others, urged immediate end to the policy. As did the U.S. Chamber of Commerce, which represents more than 3 million small and large businesses.<sup>30</sup>

## ESG Investing Trends

### 1. New designation: The Chartered SRI Counselor

The College for Financial Planning, the designator of the Certified Financial Planner certification, released a new professional designation, the Chartered SRI Counselor™ (CSRIC™). The coursework will detail the history of and approaches to sustainable and impact investing. The Forum for Sustainable and Responsible Investment (US SIF) collaborated in designing the certification.<sup>31</sup>

### 2. Green Economy is now equivalent in market capture to oil & gas

FTSE Russell reports that the green economy has now reached a market capture of 6% on the global listed equity market, which puts it in equivalency with the oil and gas sector and emerging markets.<sup>32</sup> FTSE Russell's new Green Revenues model defines the green economy by calculating the revenues of 13,400 public companies (representing 98.5% of total global market capitalization) from products and services in renewable and alternative energy, energy efficiency, water and pollution.<sup>33 34</sup> More than 2,400 public companies in the model already generate green revenues.

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<sup>29</sup> The Associated Press. (2018). Google, Facebook CEOs condemn immigrant child detention centers. [online] Cbsnews.com. Available at: <https://www.cbsnews.com/news/google-facebook-ceos-condemn-immigrant-child-detention-centers/> [Accessed 27 Jun. 2018].

<sup>30</sup> The Associated Press. (2018). Google, Facebook, Others Speak Out Against Child Separation. [online] Nytimes.com. Available at: <https://www.nytimes.com/aponline/2018/06/19/us/ap-us-immigration-businesses.html> [Accessed 27 Jun. 2018].

<sup>31</sup> Levaux, J. (2018). Socially Responsible Investing Designation for Advisors to Debut This Fall. [online] Thinkadvisor.com. Available at: <https://www.thinkadvisor.com/2018/05/31/socially-responsible-investing-designation-for-adv/> [Accessed 27 Jun. 2018].

<sup>32</sup> Tilley, C. (2018). Green economy now worth as much as fossil fuel sector. [online] Climatechangenews.com. Available at: <http://www.climatechangenews.com/2018/06/05/green-economy-now-worth-much-fossil-fuel-sector/> [Accessed 27 Jun. 2018].

<sup>33</sup> FTSE Russell. (2018). New Green Revenues model from FTSE Russell tracks global transition to a green economy. [online] Ftserussell.com. Available at: <http://www.ftserussell.com/files/press-releases/new-green-revenues-model-ftse-russell-tracks-global-transition-green-economy> [Accessed 27 Jun. 2018].

<sup>34</sup> FTSE Russell. (2018). Investing in the global green economy: Busting common myths. [online] Ftserussell.com. Available at: <http://www.ftserussell.com/files/research/investing-global-green-economy-busting-common-myths> [Accessed 27 Jun. 2018].