Investors Take Stand on Dakota Access Pipeline

By Amanda Albright, Bloomberg Briefs

It's not just environmentalists, tribal communities and concerned citizens taking a stand at Standing Rock. Investor groups — and their investment dollars — are joining the rallying cry around indigenous rights as well.

Investors concerned about the Dakota Access Pipeline have started submitting shareholder proposals to the energy companies building the pipeline as well as to the lenders behind it, urging the companies to better disclose the risks to their business from the controversial investment.

The third largest U.S. pension plan, the $178.6 billion New York State Common Retirement Fund, is one of the investors leading the charge. In a shareholder resolution filed last month with Marathon Petroleum Corp., which said in August that it would buy a minority stake in the pipeline, the pension plan said that Marathon should disclose to investors how it does due diligence on environmental and human rights risks, including indigenous rights risks, when it comes to M&A decisions. A failure to fully assess human rights risks can lead to "reputational, regulatory and financial loss," the resolution reads.

"There are material risks for investors here," said Kathryn McCloskey, director of social responsibility for United Church Funds, which co-filed the resolution with the New York pension plan. A spokesman for New York State Common Retirement Fund declined to comment beyond the resolution itself.

The $3.8 billion project, which has seen protests escalate since the summer by members of the Standing Rock Sioux Tribe and supporters over the pipeline's proximity to the tribe's water supply and culturally significant sites, is part of a 1,172 mile network that's been stalled due to the conflict.

Energy Transfer Partners LP owns the project jointly with Phillips 66 and Sunoco Logistics Partners LP. Marathon and Enbridge Energy Partners LP announced a joint venture in August that would also take a minority stake in the pipeline.

Spokesmen at Marathon and Enbridge declined to comment. Jeff Shields, a spokesman for Sunoco Logistics, said the company has not received any shareholder resolutions on the pipeline. "We look forward to completion of the project and operating the pipeline in cooperation with our partners," he said in an e-mail. An Energy Transfer spokeswoman declined to comment and referred Bloomberg Briefs to a Sept. 13.

Continued on next page...

Energy Transfer Ranks as Ill-Prepared for Scrutiny

Energy Transfer Partners has the lowest ranking community scrutiny preparedness score in a sample of 10 pipeline operators, according to a Nov. 17 analysis by Sustainalytics. The score measures how prepared pipeline operators are "to avoid the kinds of safety and environmental incidents that can undermine community support for new construction."
Investors Take Stand...

Continued from previous page...

memorandum about the pipeline by chairman and chief executive officer Kelcy Warren. A spokesman for Phillips 66 declined to comment when asked about investor responses to the project, adding that "we believe the rule of law should be followed with regards to the permitting process, and we are working with our project partners and other key stakeholders to find a resolution that will allow construction to proceed under Lake Oahe."

Other investors are also pushing the issue. Boston Common Asset Management, for example, said last month on its website that it is helping to craft shareholder proposals for Marathon, Phillips 66 and Enbridge that it expects will be filed in coming weeks. The fund is focusing on these companies because the other major partners in the pipeline are limited partnerships and therefore can't receive proxy proposals from shareholders, Boston Common said.

"You're seeing the recognition that best practice for companies is to view indigenous peoples and nations as business partners and not obstacles," Steven Heim, director of ESG Research for the asset management firm, said in an interview.

The uproar over the pipeline is part of a broader environmental and social debate over whether there is a need for more fossil fuel conduits across the U.S. and whether these projects trample over the rights of indigenous people. About 250 companies globally in the oil, gas, mining, forestry, paper and agriculture industries, with a combined market value of about $2.7 trillion, have a risk of running into indigenous rights issues, according to a risk analysis in 2009 by Experts in Responsible Investment Solutions, a London-based non-profit that researches ESG issues.

While some investors are raising their concerns with the energy companies themselves, other shareholder groups are going directly to the lenders funding the disputed pipeline. As You Sow, an Oakland-based nonprofit, has co-filed a shareholder resolution at Wells Fargo & Co., which provided a $120 million loan to the Dakota Access pipeline project, according to Bloomberg data.

"What we're looking for is just a frank discussion with the banks," said Danielle Fugere, president and chief counsel at As You Sow. "Are they looking at the potential for stranded assets? We're also asking them if they have indigenous persons programs in place." The group has also co-filed proposals at Marathon and is planning another at Phillips 66, Fugere said.

Rebecca Adamson, founder and president of First Peoples Worldwide, which advocates for funding local development projects in indigenous communities, estimates that at least eight shareholder resolutions have been filed with energy companies and banks involved in the pipeline.

The largest lenders involved in the pipeline include Citigroup Global Markets Inc., TD Securities USA LLC, Mizuho Bank Ltd., and Mitsubishi UFJ Ltd., according to Bloomberg data.

"TD has been listening to concerns from the community about DAPL and we will continue to advocate that Energy Transfer Partners (ETP) engage in constructive dialogue and work toward a resolution with community members, including the Standing Rock Sioux Tribe," TD said in a Dec. 1 statement on its website.

Citi released a Nov. 30 statement that said it was "concerned" about the situation at the pipeline and that it "supports the federal government's efforts to engage tribal governments on how their views can be better incorporated into project review processes, and we will closely follow the outcomes of those consultations."

TD said it has retained law firm Foley Hoag LLP, an independent human rights expert, on behalf of the lenders to conduct a review and make recommendations to improvements to Energy Transfer's and Sunoco Logistics' social policies and procedures. Foley Hoag confirmed that it would be working on the review.

Representatives at Wells Fargo and Mizuho did not respond to requests for comment. A spokesman for Mitsubishi declined to comment.

Some lenders are even taking the matter into their own hands. Norwegian bank DNB said last month that it was conducting an evaluation of how indigenous people's rights were being treated during the resolution of the conflict. DNB Capital provided a $120 million loan to the project, Bloomberg data show.

"We seek to reassure that the project is in accordance with our own guidelines and values. If our initiative does not provide us with the necessary comfort, DNB will evaluate its further participation in the financing of the project," Harald Serck-Hanssen, DNB's group executive vice president and head of large corporates and international, said in a statement.

The backlash over the Dakota Access crude pipeline may discourage companies from pursuing the construction of similar projects in the future without considering the impacts, said First Peoples Worldwide's Adamson.

"Until the market starts rewarding the good companies and penalizing the bad ones, you're going to continue to have these huge social push-backs," she said. "The market knows this and now it's going to have to do it."

— With assistance from Emily Chasan and Justin Morton, Bloomberg Briefs, and Meenal Vamburkar, Bloomberg News
Sustainable Finance

We have committed $42 billion in low carbon financing since 2007, including $30 billion dedicated to renewable energy. Because it’s not just about climate change, it’s about changing the business climate to create a better environment for everyone.
Investing

Consumer-Facing Companies Lead on ESG Reporting
By Emily Chasan, Bloomberg Briefs
Companies with the most direct interaction with their customers may also be the best at reporting sustainability information, according to a new study.

Consumer, service and transportation businesses had more specific and detailed sustainability disclosures on material issues important to investors than companies whose models focus more on business-to-business sales, a study of 713 U.S. securities filings by the San Francisco-based Sustainability Accounting Standards Board found.

"Companies that are consumer facing have had interest in this kind of information from their customers for a long time," said Janine Guillot, who leads investor relations for SASB, in an interview. Still, customers and investors don't have exactly the same needs, Guillot said. Customers may care about a company's exposure to forced labor or a chemical in its products, while investors may care about sustainability metrics that could drive profits and help them compare a company's performance to peers, she said.

SASB is a non-profit that is working to set industry standards for companies to disclose material sustainability information in Securities and Exchange Commission filings. Michael Bloomberg, founder of Bloomberg LP, is chair of the SASB's board.

The report found that sustainability disclosures in U.S. securities filings are so non-standardized that it is still "virtually impossible" for investors and corporate managers to benchmark performance on these metrics against peers. Boilerplate was found in 43 percent of all sustainability exposures analyzed, but was less common in European filers where there is more regulation on sustainability disclosure, SASB found.

"The issue with boilerplate is that it is not decision-useful to investors," Guillot said. "It can't be used in any way to try to evaluate company performance."

AP2 Divests 10 Power Utilities, Citing Climate Change
By Niklas Magnusson, Bloomberg News
Sweden's Second AP Fund says it has followed up analysis of financial climate risks in power utilities and decided to divest from 10 companies "it believes are exposed to significant financial climate risks."

"Climate change is likely to have a large effect on long-term returns, the fund said in a statement. The fund says its ambition is to develop a portfolio in line with the 2-degree target that will be achieved by integrating climate analysis into investment process.

AP2 has previously divested from companies dedicated exclusively to coal extraction and in oil and gas companies with major investments in new high-cost projects. In total, AP2 has divested from 76 companies due to financial climate risks.

Analysis: Low-Carbon Index Performance May Worsen

Source: Bloomberg Intelligence. For a live chart run G #SF.BRIEF 49 on your terminal or click above.
Indexes that exclude fossil-fuel extraction companies or companies with high carbon emissions have generally underperformed their benchmarks by about half a percentage point this year, as oil and gas company shares rallied. U.S. President-elect Donald Trump's pledge to exit the Paris climate accord and roll back regulations may support high-carbon company prospects and dim those for low-carbon solution providers. Declining renewables and low-carbon technology costs may provide longer-term low-carbon support.

— Gregory Elders and Morgan Tarrant, Bloomberg Intelligence

Van Eck Plans First Green Bond ETF
New York-based investment manager Van Eck Associates Corp. is planning to launch the first green bond exchange-traded fund, according to a prospectus filed with securities regulators Nov. 10.

The VanEck Vectors Green Bond ETF will be based on a green bond index that includes 155 environmentally-friendly bonds from 88 issuers that have a "clearly defined" green use of proceeds, according to the prospectus. The index will contain both investment grade and non-investment grade bonds.

The fund, which is set to list on the NYSE Arca, would be the first green bond ETF out of 1,900 ETFs currently trading and 1,200 in registration, according to Bloomberg Intelligence senior ETF analyst Eric Balchunas. "It's rare to see something wholly unique," he said.

A Van Eck spokesman declined to comment beyond what is contained in the public filing. The company offers more than 50 ETFs across equity, fixed income and currency markets, according to its website.

— Justin Morton, Bloomberg Briefs

IKEA, TIAA Up Demand for KfW's Green Bond
IKEA of Sweden AB and TIAA Global Asset Management were among over 50 investors that bought $1.5 billion of green bonds issued last week by German development bank KfW.

The five year security paying a 2 percent coupon attracted investors from Europe, the Americas and Asia, according to a bank statement. The oversubscribed bond, with an average placement of $30 million, was also purchased by central banks as well as insurance and pension funds, according to KfW. Bank of America Corp. and Goldman Sachs Group Inc. led the sale.

<full story on Terminal>

— Brian Parkin, Bloomberg News
Insight: Green Bonds

Structures of Environmentally-Friendly Bonds Evolving, HSBC Says

By Justin Morton, Bloomberg Briefs

As the green bond market is poised to hit a new peak in issuance this year, the structures underlying the environmentally-friendly bonds are shifting and innovating as well, HSBC’s global green bonds analyst Michael Ridley said.

Green bond issuance this year has already topped $71 billion — near the high end of HSBC’s estimates — and the market is on track to grow to $90 billion to $120 billion next year, Ridley said. Here are some of the year’s more unique structures, according to Ridley.

Bank of China "Green on Both Sides"

The Bank of China issued a $500 million covered green bond that is a three-year offshore dollar-denominated bond, according to an announcement on Nov. 3. The bond is unique because its structure is “green on both sides,” according to HSBC’s Ridley. The bond’s use of proceeds goes toward funding green projects in China, like a typical green bond, but its underlying collateral is also green — a pool of Renminbi denominated onshore Chinese climate-aligned bonds. Moody’s rated the bond Aa3. "Whether [or not] we get further structured bonds this way is hard to say, but I imagine we probably will," Ridley said in an interview. "If you are going to buy a green bond, buying a green bond where the use of proceeds are put to work in China is quite a good idea because China has a high carbon intensity of GDP," he said.

Green Coupon Payments for Reforestation

The International Finance Corporation, a member of the World Bank Group, issued a first-of-its-kind $152 million bond aimed at funding reforestation in Kasigau, Kenya, according to an announcement on Oct. 31. While it is not technically a green bond because the proceeds are not used to fund a green project, bondholders have the option to receive their interest payments in the form of cash or voluntary carbon units. Buyers who choose voluntary carbon units instead of cash will receive a unit for every $5 owed in interest payments. The carbon units will come from a reforestation project in east Kenya, IFC said. “There are not many projects or green bonds that fund reforestation,” Ridley said. Investors are attracted to this green bond structure because they don’t have to take “very much” risk other than IFC risk, which currently has strong credit, Ridley said.

SNCF’s Novel Transport Green Bond

SNCF is using proceeds from green bonds to both refinance and fund the French rail system.

The French rail operator has issued more than 900 million euros ($954 million) in green bonds, according to an announcement on Oct. 27. The majority of the bond proceeds will be used for refinancing bank loans that fund the French rail system, according to a report by Oekom Research AG. The remaining portion of the bond proceeds will be used for building new infrastructure, the report said. Using a green bond to refinance an existing bond has a few benefits, HSBC’s Ridley said. The project will now be funded by bond investors who may have more of a “buy and hold” strategy and desire to fund green projects, Ridley said in an interview.

It could also be a benefit to the original bank lender. Following the refinancing the bank could “redeploy its capital to another — hopefully green — project,” Ridley wrote in a Nov. 16 research note.
Gender Gap: Only One in Five Funds Has a Female Manager

By Justin Morton and Anne Riley, Bloomberg Briefs

Four out of five funds globally operate without any women managers, according to a report released Nov. 28 by Morningstar Inc.

Gender parity has not improved much since 2008, and in some countries — including the U.S. — it has actually gotten worse, according to the study of 26,340 mutual fund and ETF managers in 56 countries conducted by Morningstar. In the U.S., 9.7 percent of fund managers were women at the end of 2015, down from 11.4 percent prior to the financial crisis. Click the image or logo to launch the interactive StoryChart.

Girls Just Want to Have Funds, But They Aren’t Getting Hired

Source: Morningstar Inc.; data as of Dec. 31, 2015

Israel’s Ground-breaking CSR Innovations: Promoting Diversity, Sustainability and Peace

Israel is quickly becoming a world leader in the field of Corporate Social Responsibility. Our unique CSR environment derives from the combination of an extremely diverse population, our innovative start-up culture, and our small size, which makes protecting the environment a top priority.

Israeli water sustainability technologies, developed for our arid climate, are saving water from India to Africa to California. Our cutting-edge programs for encouraging workforce diversity are helping to integrate all the different sectors of our society- Jews, Arabs, Druze, Circassians and many others-into our hi-tech economy. To give just one example- in order to integrate Bedouin women while respecting cultural sensitivities, we have worked with the Bedouin community to open call centers inside of mosques.

In a turbulent Middle East, Israel’s business community serves not only as a force for social change, but as a catalyst for co-existence.

Israel’s CSR environment is attracting increasing interest around the world. Senior executives from the world’s leading CSR bodies are currently in Tel Aviv for a ground-breaking conference on Israeli CSR. We are pleased to sponsor the conference together with Israel’s Economic Ministry, and Maala, Israel’s largest CSR organization.

The conference is both an opportunity for a wide-ranging international dialogue, and to experience Israeli innovation firsthand. We strongly believe that direct dialogue and positive engagement are the way to approach the complex CSR issues facing the region and the international community. CSR must be a tool for advancing constructive solutions and bringing people together, rather than for negative campaigns and driving people apart. Done right, CSR can serve not only to promote social good, but to promote peace.
H&M, Zara Grapple With Sustainability Trend This Holiday Season

By Sarah Very, Bloomberg News

Apparel chains such as H&M, Zara and Forever 21 conquered the retail world by promising fast fashion: cheap, trendy and disposable.

Yet there's a growing number of consumers this holiday season who want just the opposite. Data shows that shoppers — especially millennials, the target market for fast-fashion companies — are increasingly looking for clothes made of higher-quality materials or they're keeping their existing clothes longer. Some are even seeking apparel that's been reused or recycled.

More than 14 percent of U.S. consumers looked for apparel and accessories made from natural materials in 2016, up from 12.9 percent last year, according to a Euromonitor International survey. Shoppers looking for clothes that were reused or recycled rose 2 percent this year. And more millennials looked for "sustainably produced" apparel and accessories than any other age group.

This shift to so-called sustainable clothing is threatening the underpinnings of a fashion industry that wants consumers to rapidly change styles and move on to the next hot trends.

"Certainly fast-fashion companies are doing a booming business, but there's also an increased interest in vintage, learning how to sew and weave, and in repair and mending," said Susan Brown, a fashion expert who serves as associate curator of textiles at the Cooper Hewitt Smithsonian Design Museum. "There's the Brooklynization of the world — interest in higher-quality, handmade things that have a narrative story."

The challenge may come earlier than big retail chains expect. Consumers are more willing to shop at niche, smaller companies this season, according to Deloitte LLP. Some of these retailers tout sustainable premiums for longer-lasting, higher-quality products — think, Zady or Everlane.

"People want to buy trends less and less," said Jennifer Baumgartner, a clinical psychologist and author of "You Are What You Wear: What your Clothes Reveal About You." "It seems they'd rather buy items that are classic and will last a long time. The movement is happening, and it's been gaining ground in the public eye."

She said it's going to be difficult for the fast-fashion concept to use high-quality, eco-friendly fabric and not create "mass waste."

But fast-fashion companies are trying to respond. In 2013, H&M launched a worldwide garment-collecting initiative encouraging consumers to reuse and recycle their clothes. The chain also sells a "conscious collection," a clothing line created entirely from sustainable materials. Zara launched its first sustainable line, Join Life, in September. The collection consists of simpler designs and clothing made from recycled wool, organic cotton and Tencel — a fabric that includes regenerated wood.

But these pieces make up just 1.5 percent of Zara's assortment and 3.5 percent of H&M's, said Emily Bezzant, head analyst at the fashion-tracking firm Edited. And the very nature of high-turnover fast-fashion companies strikes many as unsustainable, she said.

"Generally, fast fashion and sustainability are not a match made in heaven," Bezzant said. She said the biggest challenge for retailers will be to make sustainable products affordable and accessible to millennials.

"The issue that we're facing as a society is that 150 billion new articles of clothing are produced globally every single year," Bedat said. "The challenge is to produce clothing at the design side of things that people want to wear more than seven times."

Christina Kim, a designer who displayed her work at a Cooper Hewitt exhibit on sustainable fashion, said it's actually been more economical for her to use recycled scraps to make her clothing. Kim founded Los Angeles-based Dosa after moving from Seoul. Her idea started in West Bengal, where she began collecting old saris to incorporate into new designs. Kim tracked her expenses in both regular and recycled production. She found that when using recycled fabric, she was able to spend less on materials — but had to shell out significantly more for labor. With traditional clothing production, 40 percent of her expenses went to materials, 53 percent to labor, and 7 percent to shipping and other duties. With a recycled production, Kim spent 14 percent on materials, 81 percent on labor, and 5 percent on shipping and duties. <full story on web>
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GM’s Ready to Lose $9,000 a Pop and Chase Electric Car Boom

By David Welch and John Lippert, Bloomberg News

General Motors Co. stands to lose as much as $9,000 on every Chevrolet Bolt that leaves a showroom once the all-electric subcompact starts rolling out. Sounds crazy, but the damage makes perfect business sense under the no-pain, no-gain policy driving the electric-vehicle boom in the U.S.

California crafted the doctrine, with tough clean-air rules and a mandate that automakers sell some non-polluting vehicles if they want to do business in the Golden State. Nine others have adopted it, New York and New Jersey among them, and all told they make up close to 30 percent of the U.S. market. That goes a long way to explaining why zero-emissions models from more than 10 brands are on the roads, with more on the way. Most are destined to be loaded with red ink for their makers, but they’ll be great deals for consumers as companies unload them to meet their targets.

While the Trump administration may dilute federal programs that take aim at carbon-dioxide spewing cars, California won’t be backing down, certainly not during Governor Jerry Brown’s term. The most populous state is such a powerhouse — roughly one in eight new vehicles was registered there in the first half of the year — that companies will keep spitting out electrics for the privilege of selling everything else in their lineups. Where it’ll get interesting is over the next decade or so. The states’ rules are set to tighten so that zero-emission vehicles, or ZEVs, will have to rise to an estimated 15.4 percent of sales by 2025, some five times the current level. The hurdles may go higher: Brown, a Democrat with two years left in his term, signed a law ordering greenhouse-gas emissions be 40 percent below 1990 levels by 2030. To get there, ZEVs, plug-in hybrids or fuel-cell cars like Honda Motor Co.’s Clarity may have to comprise 40 percent of sales, up from about 3 percent now, according to California Air Resources Board staff projections.

Energy News in Brief

Valero Joins U.S. Biofuels Group

A subsidiary of Valero Energy Corp., a long-time critic of America’s ethanol mandate, has joined the Renewable Fuels Association, one of the industry’s biggest trade groups. The move shows how even reluctant fuel producers are positioning themselves to take advantage of growing demand.

New Zealand to Offset CO2 Overseas

New Zealand is seeking to offset its global warming emissions by investing almost $5 billion in green projects overseas, saving six times that figure to meet its Paris climate commitments. New Zealand’s challenge is to reduce emissions in its agriculture-led economy, where the prevalence of sheep and cattle farming means 43 percent of its greenhouse gas output is from methane.

Energy Storage Saw $1.6 Billion of Investment in 2016

Annual investment in energy smart technologies rose in 2016 but is still below historical peaks. Investment includes venture capital, private equity, public markets and M&A.

— Bryony Collins, Bloomberg New Energy Finance

Source: Bloomberg New Energy Finance

Source: Bloomberg Briefs.com

ZEV data for 2018-2025 are estimates based on projected mix of vehicle types and ranges. 2030 is projection needed to meet California law for greenhouse-gas reduction. Requirements for battery-only cars, plug-in hybrids and fuel cells are about to accelerate.

— Mario Parker, Bloomberg News

— Mathew Carr, Bloomberg News
Amnesty Report Alleges Abuses on Palm Oil Plantations Linked to Wilmar

By Anuradha Raghu, Bloomberg News

A report by Amnesty International has alleged labor abuses on palm oil plantations linked to Wilmar International Ltd., a supplier to global consumer companies.

The report, released Wednesday, lists forced labor and child labor, gender discrimination, as well as exploitative and dangerous working practices.

Wilmar is looking into the allegations in order to be accountable to customers and stakeholders, Perpetual George, assistant general manager for Wilmar Group Sustainability, said in an e-mail.

As part of research for the report, Amnesty interviewed 120 workers on plantations directly owned by Wilmar subsidiaries PT Perkebunan Milano and PT Daya Labuhan Indah, and plantations owned by three companies that supply oil to Wilmar's Indonesian refineries.

Wilmar, in a Nov. 29 statement released before the Amnesty report was made public, said it welcomed the investigation as it highlights labor issues within the wider palm oil industry, particularly in Indonesia. The company, the world's largest palm oil trader, said its making efforts to mitigate human and labor rights issues in wider palm oil industry, and it's currently working with Golden Agri-Resources.

“All our customers and stakeholders will be kept updated on the progress of our handling of these grievance cases,” George said in the e-mail on Wednesday. “We trust that our customers will take these actions into account when assessing their business relationship with Wilmar.”

Wilmar also said it will improve monitoring and enforcing of labor-related commitments in its “No Deforestation, No Peat, No Exploitation” policy.

Fake News in Brief

EU Agrees on Conflict Minerals Rules

The European Union reached an agreement on rules to stop imports of conflict minerals. All exporters of gold, tin, tantalum and tungsten to the EU have to trace the origin of the four minerals. Importers must do due diligence checks. <full story on Terminal>

Wal-Mart Truckers Win $54M

A federal jury in California awarded $54 million to more than 800 Wal-Mart Stores Inc. truckers after finding the company violated state wage and hour laws in failing to pay them minimum wage for work-related tasks. <full story on Terminal>

Philip Morris Tries Smokeless

The launch of Philip Morris’s heated tobacco device, iQOS, in the U.K. Wednesday received a skeptical response from anti-smoking group ASH UK. The group said unless independent evidence shows iQOS is substantially less harmful than smoking, such products should be regulated as tobacco. <full story on Terminal>

Fake News, Trump, and the Pressure on Facebook

There’s an emotional debate over the explosion of information on the internet that’s provably false or intentionally misleading. As content of dubious authenticity swirls on platforms like Facebook, Twitter and Google, many in the media worry consumers may lose trust in stories that are actually true. Maybe most uncomfortable are the social media companies, Facebook especially. They make millions in ad revenue by distributing information, but the last thing they want are the responsibilities that come with being a publisher, like ensuring stories are accurate. Shares of the social media and internet companies have underperformed the benchmark Standard & Poor’s 500 index since the US election on Nov. 8. <full story on Web>
Commentary: Don’t Get Distracted by the Goldman Sachs Effect on Pay

By Chris Bryant, Bloomberg Gadfly

Theresa May wants companies to publish the ratio between the pay of CEOs and workers. Unless an emboldened Republican Congress overturns Dodd-Frank, U.S. companies might have to do the same.

Britain’s prime minister would also like shareholders to hold binding yearly votes on the bafflingly complicated bonuses and long-term incentive plans that swell the pay of bosses.

The response hasn’t been effusive: ratios are misleading and difficult to compile, companies say, while some British corporate leaders argue that yearly pay votes would make it hard to recruit the brightest and the best (you know, people like them).

But having already backed down from putting workers on boards, May should hold her ground here. Politically, it makes sense. Brits discovered this week that they face the longest period of wage stagnation in at least 70 years. Real earnings in 2021 are on course to be below their level in 2008. Yet the average pay of a FTSE 100 CEO has increased by about one third over five years. But having already backed down from putting workers on boards, May should hold her ground here. Politically, it makes sense. Brits discovered this week that they face the longest period of wage stagnation in at least 70 years. Real earnings in 2021 are on course to be below their level in 2008. Yet the average pay of a FTSE 100 CEO has increased by about one third over five years.

There are few practical reasons to object, at least if the measures are introduced sensibly. Bosses say ratios are unfair because they make the leaders of companies with lots of low-paid staff, Tesla Plc say, look far worse than the heads of businesses where workers get fat salaries too, like Goldman Sachs Group Inc.

But, they’re missing the point. Investors are savvy enough to understand this difference. The value of the ratio isn’t in comparing different industries, but more in seeing how companies match up to peers: how does Tesco compare with Wal-Mart Stores Inc.?

Reality Gap

Tesco Plc say, look far worse than the heads of businesses where workers get fat salaries too, like Goldman Sachs Group Inc.

But, they’re missing the point. Investors are savvy enough to understand this difference. The value of the ratio isn’t in comparing different industries, but more in seeing how companies match up to peers: how does Tesco compare with Wal-Mart Stores Inc.?

Securities Regulators Warn of Risks to Auditor Independence

Securities regulators urged companies and auditors to keep auditor independence issues in mind as enterprises begin to apply major new accounting rules and have questions about how to apply them.

The regulators cautioned companies and auditors at the annual auditing conference at Baruch College about “crossing the line” to the point that external auditors give advice to the extent they make decisions for management, raising the risk the auditors in effect would be subsequently auditing their own work.

At the same time, ongoing dialogue between auditors and the companies, whose books they audit, carry benefits in improved financial reporting and better auditing, officials said Nov. 29.

Gamco Withdraws Proxy Access Nominee at National Fuel Gas

Gamco Asset Management Inc. abandoned its effort to use proxy access to nominate a director at National Fuel Gas Co.

The announcement by the Rye, N.Y.-based asset manager ends the first attempt by any investor to utilize proxy access for gaining a board seat. The mechanism allows shareholders to nominate their own board candidates.

Last month Gamco, which owns a 7.8 percent stake in NFG, nominated former Goldman Sachs partner Lance Bakrow as a proxy access candidate to the Williamsonville, N.Y.-based natural gas company’s nine-member board.

Bakrow decided to withdraw his nomination, Gamco said in a Nov. 28 filing with the Securities and Exchange Commission.

ComScore Shares Fall on Accounting Probe Findings, Board Changes

ComScore Inc. fell the most in five months after disclosing a board shakeup and saying an internal probe revealed the need for further accounting changes.

ComScore, whose shares are down 30 percent this year, said last week that it would need to make accounting adjustments for some monetary transactions reviewed in the probe. It had previously restated three years’ worth of filings to change its accounting for non-monetary transactions. The company also named a new chairman at the conclusion of a nine-month investigation that found the company lacked appropriate internal accounting controls.

“People are stepping back,” Matthew Thornton, analyst at SunTrust Robinson Humphrey, said in an interview.
Q&A

Trade Oil Paintings for Emerging Market Infrastructure in Institutional Portfolios: IFC

Neil Gregory, Head of Thought Leadership, International Finance Corporation

Achieving UN Sustainable Development Goals will require $3 to $5 trillion a year of investment between now and 2030, according to Gregory.

The biggest opportunities for impact investing are in emerging markets, especially in infrastructure, he said.

Interviewed by Siobhan Wagner, Bloomberg Briefs, on Oct. 25. Comments have been edited and condensed for clarity.

Q: Just to start off, I understand that you feel some impact investors are too picky, they apply too many investment screens, and this is causing a lack of deal flow. Does being less picky mean you shouldn’t always screen for environmental, social or governance? What does the IFC do?

A: We always screen for those three things. It’s more that we may say, for example, we want to do an infrastructure or financial inclusion deal, but we also want to be in a post-conflict country like Sierra Leone or Liberia. When we consider the investment opportunities in a country like that, we may find a transaction in a different sector, so not infrastructure or financial inclusion. It could be in agriculture or services. And because we want to be in that market, we will look at any sector. As opposed to saying, even though it’s in Sierra Leone and it’s a post-conflict country, we only want to do something that’s infrastructure related or has a climate benefit. That’s where too many screens stop you from doing business that has any impact.

Q: Do you believe there are enough impact investing opportunities to meet demand?

A: If you look at the agenda for investing in the UN Sustainable Development Goals, anywhere between $3 and $5 trillion a year of investment is needed between now and 2030. If you look at the last JPMorgan report on impact investing, there’s about $70 billion a year being invested.

The emerging markets are where you’re going to have the biggest impacts. If impact investors want to scale up and invest a lot more, we really think emerging markets is where they can do it.

Q: What kind of opportunities are there for large-scale investors like pension funds in emerging markets?

A: Look at the infrastructure spending that’s needed in emerging markets: about $2 trillion a year. Today about $1 trillion a year is being invested. There’s approximately a $1 trillion year financing gap. Then you look at the institutional investor money, it’s like $130 trillion. If they invested even 1 percent of their portfolios in emerging market infrastructure, that would be enough to fill the financing gap. They could think of emerging market infrastructure as kind of an alternative asset — the investment they’ll do on the margins of their business. Similar to how they might buy oil paintings — something that’s not a liquid tradable security.

Q: What about the return?

A: In a world where yields on sovereign debt, and things that are the big part of their portfolios, are close to zero, this is an attractive opportunity for them to get extra yield.

Q: What sort of vehicles are available?

A: What we’re working on is various vehicles that allow institutional investors to invest in a big-ticket-size portfolio, rather than individual projects. We have a couple of models. One is through our asset management company. For example, we offer infrastructure funds, where if you want to invest equity in infrastructure, you can invest in an IFC-managed fund, and that fund invests in infrastructure projects. The second model we have on the debt side is a managed co-lending portfolio program. We first started as a general co-lending program with the Chinese government for $3 billion. We now have a new program, which aims to mobilize up to $5 billion from institutional investors that are interested in increasing their exposure to the infrastructure sector in emerging markets. An insurance company has already made a commitment and we expect other investors to join the program. The idea there is they can invest in a larger ticket size: half a billion dollars or a billion dollars. We then take that money and invest it alongside IFC’s own lending, project by project.

Q: Are you finding that investors care about the impact side of these projects, or are they just focused on return?

A: I think it varies. There are fully commercial investors like pension funds and insurance companies, which are really just interested in the financial return. Then you have other investors, some high net worth investors, who are looking at both a financial and impact story. We think that infrastructure does offer a good impact story. One reason is we measure the amount of people getting access to power and clean water that didn’t have that before. Secondly, a lot of infrastructure investments have positive climate change benefits. A big part of our infrastructure program at the moment is in clean energy and retrofitting buildings for energy efficiency.

At a Glance

Born: Bristol, England  Based Now: Washington, D.C.
Education: MA and MSc degrees in economics from Cambridge and Oxford and an MBA from Georgetown
Hobbies: Cycling
Peter Thiel’s Other Hobby Is Nuclear Fusion

By Eric Roston, Bloomberg News

U.S. President-elect Donald Trump angered clean-energy proponents by denying the existence of climate change and promising to expand fossil-fuel exploration — a policy that would further exacerbate the existential threat he’s claimed is a Chinese hoax. Wouldn’t it be ironic then if there was someone deep in Trump’s confidence who’s made a bet on cleaning up energy technology once and for all?

Nuclear fusion, which would harness the power of the sun without the nasty byproducts, is a long-shot — politically, financially, and technologically. But despite relative ambivalence toward it by the Obama administration, research has continued apace. At the head of the pack are venture capitalists like Peter Thiel, the Silicon Valley billionaire who is said to be working on Trump’s transition team. He's funded a fusion start-up called Helion Energy to pursue the ultimate dream of environmentalists.

Thiel penned an op-ed in the New York Times last year lamenting what he described as the safe, and clean energy technology of fission that became “frozen in time,” particularly after Three-Mile Island. More than 100 plants have been canceled over the years.

Fusion, meanwhile, would eliminate planet-warming carbon dioxide emissions if scientists could only harness its power.

The world invests almost $2 trillion in energy every year, but just hundreds of millions of dollars on fusion, according to Tom Jarboe, an adjunct physics professor at the University of Washington who studies controlled fusion. But that tantalizing promise of a grand solution has kept investors investing.

Studies over the last generation have found that fusion energy offers a favorable “energy payback ratio,” which is a measure of the lifetime output of a theoretical plant, compared with the energy required to build and operate it.

A consortium of 35 countries are collaborating on a massive fusion project in southern France, called ITER. The current cost of the initiative is estimated at $20 billion. Fusion is also drawing in venture capitalists like Thiel, who think start-ups can achieve better results than national efforts. (A spokesman for Thiel declined to comment.) Helion, his start-up in Redmond, Washington, has also drawn almost $4 million from a U.S. Department of Energy’s Advanced Research Projects Agency-Energy grant.

Helion hopes to make a fusion generator that is 1,000 times smaller, 500 times cheaper, and 10 times faster than more conventional projects. The company is building a “magneto-inertial fusion” generator. It produces power by injecting heated hydrogen and helium at a million miles an hour into a “burn chamber,” national efforts. (A spokesman for Thiel declined to comment.) Helion, his start-up in Redmond, Washington, has also drawn almost $4 million from a U.S. Department of Energy’s Advanced Research Projects Agency-Energy grant. Helion hopes to make a fusion generator that's 1,000 times smaller, 500 times cheaper, and 10 times faster than more conventional projects. The company is building a “magneto-inertial fusion” generator. It produces power by injecting heated hydrogen and helium at a million miles an hour into a “burn chamber,” where a strong magnetic field compresses the plasma to a temperature high enough to initiate fusion. Energy from the reaction is used to generate electricity.

Lockheed Martin in 2014 announced that its “compact fusion” initiative would need only a decade to deliver a reactor small enough to fit on the back of a truck. Amazon founder Jeff Bezos is among the backers of General Fusion, a British Columbia company that’s designed a reactor that compresses hydrogen plasma into fusion reactions with hammer-like jolts.
Indexes

Global ESG Indexes

Source: Bloomberg. For a live version of this chart run G #SF.BRIEF 20 on your terminal or click on the image above.

Green Bond Indexes

Source: Bloomberg. For a live version of this chart run G #SF.BRIEF 21 on your terminal or click on the image above.

Low Carbon and No Carbon Indexes

Source: Bloomberg. For a live version of this chart run G #SF.BRIEF 22 on your terminal or click on the image above.

Green Bonds

Maturity Schedule: Bonds Due

<table>
<thead>
<tr>
<th>ISSUER NAME</th>
<th>MATURITY</th>
<th>COUPON</th>
<th>$ AMOUNT OUTSTANDING</th>
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<tbody>
<tr>
<td>SolarCity Corp</td>
<td>12/3/2016</td>
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Source: Bloomberg; SRCH <GO>
Can responsible investing boost returns?

Responsible investing has gathered momentum across the world in the past decade as investors look for financial returns while helping to achieve a positive impact on the world around them.

A new Barclays study shows the positive effect that environmental, social and governance (ESG) investing can have on bond portfolio performance.

Introducing ESG factors into the investment process resulted in a small but steady performance benefit. Bond portfolios with strong ESG attributes (measured by either MSCI or Sustainalytics) have outperformed low-ESG portfolios over the past seven years.

Irrespective of the ESG data source, the governance score had the strongest impact on performance.

Learn more about how ESG is changing the investing ecosystem at barclays.com/ib

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### Calendar

**Dec. 1, 2016**

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<tr>
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<th>EVENT</th>
<th>ATTENDEES OF NOTE</th>
<th>LOCATION</th>
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<tbody>
<tr>
<td>Dec. 6-7</td>
<td>Responsible Investor’s RI Americas 2016 Conference</td>
<td>See website for details.</td>
<td>New York</td>
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<tr>
<td>Dec. 7-8</td>
<td>GIIN Investor Forum 2016</td>
<td>See website for details.</td>
<td>Amsterdam</td>
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<td>Jan. 18-20</td>
<td>Sustainable Foods Summit North America</td>
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<td>San Francisco</td>
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<tr>
<td>Jan. 23-25</td>
<td>Cleantech Forum San Francisco 2017</td>
<td>See website for details.</td>
<td>San Francisco</td>
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<td>Feb. 2</td>
<td>NYSSA Green Bond Investment Outlook</td>
<td>See website for details.</td>
<td>New York</td>
</tr>
<tr>
<td>Feb. 6</td>
<td>First Annual Investors’ Conference on Green Bonds</td>
<td>See website for details.</td>
<td>London</td>
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<td>Feb. 14-16</td>
<td>GreenBiz 17</td>
<td>See website for details.</td>
<td>Phoenix</td>
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<td>March 8-9</td>
<td>Sustainable Brands: SB17 Tokyo</td>
<td>See website for details.</td>
<td>Tokyo</td>
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<td>March 15-16</td>
<td>Global Sustainable Capital Forum 2017</td>
<td>See website for details.</td>
<td>Dublin</td>
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<td>March 26</td>
<td>International Corporate Citizenship Conference</td>
<td>See website for details.</td>
<td>Boston</td>
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<td>March 27-28</td>
<td>Responsible Business Summit NY 2017</td>
<td>Jim Keane, Steelcase; Farooq Kathwari, Ethan Allen; Tom Glaser, VF Corp.</td>
<td>New York</td>
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<td>April 25-26</td>
<td>Impact Capitalism Summit</td>
<td>See website for details.</td>
<td>Chicago</td>
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<td>April 26-27</td>
<td>Ceres Conference 2017</td>
<td>See website for details.</td>
<td>San Francisco</td>
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<td>May 7-10</td>
<td>Sustainatopia</td>
<td>See website for details.</td>
<td>San Francisco</td>
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<td>May 9</td>
<td>Invest in Women Conference</td>
<td>See website for details.</td>
<td>Dallas</td>
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<tr>
<td>May 10-12</td>
<td>US SIF Annual Conference</td>
<td>See website for details.</td>
<td>Chicago</td>
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The “event” column links to websites, where available.

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