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EPIC CAPITAL

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IMPACT

10 Reasons ESG Investing is Growing

BY PIMCO JUNE 2017

$22 trillion of assets globally are now managed under responsible investment strategies. We see 10 major trends contributing to the rise.

According to the Global Sustainable Investment Alliance, over $22 trillion of assets were managed under responsible investment strategies globally in 2016, up 25% from two years before. This is one of many statistics showing Environmental, Social and Governance (ESG) investing moving into the mainstream. We see 10 major trends contributing to the rise.

1. **Good governance is systemically important**. The financial crisis of 2008 was a wake-up call for public and private sectors, demonstrating how issues of culture and conduct could have systemic importance. Improving corporate governance is increasingly a goal for regulators and for fixed income and equity investors through active ownership.

2. **Public-private partnerships are expanding.** Public-private collaboration has grown from addressing infrastructure and housing needs to tackling broader social and environmental issues. The U.S. municipal market and the European agency market are two examples of how government vision has enabled private capital to drive social investments.

3. **Climate change is a reality**. Climate change is now universally understood and (almost) universally acknowledged. Mitigation techniques include international agreements such as the COP21 Paris agreement, which aims to keep the rise in world temperatures below two degrees, and private initiatives such as sustainable investment portfolios and more disclosure of climate-related financial risks.

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4. **Energy sources are shifting.** Climate change aside, there is a transformation occurring in energy markets. Well-telegraphed supply and demand drivers are shifting the dynamics of the oil market, natural gas is now cheaper than coal, and renewable energy sources are becoming cheaper and scalable.

5. **Technology is changing what we demand and how we consume.** Whether it's driverless cars in autos, smart metering in utilities, renewables in oil and gas, online sales in retail, or robo-advisers in asset management, most sectors of the economy are seeing paradigm shifts in the way business is conducted. Companies with ample resources and willingness to adapt will outperform, but others are likely to put investors at risk.

6. **Social media is driving convergence in social norms.** Given its borderless nature, social media has the potential to alter the cultural blueprint of countries, and for investors, its effects vary from changes in individual consumer preferences and traditional election patterns to subsequent demands for new regulations.

7. **We are living longer.** By 2050, there will be 2.3 billion people in the world over age 65, according to the United Nations. With average life expectancy rising in developed countries, sustainability issues will affect not only our children but also our older, less-capable selves. Climate change, income inequality, healthcare and poor governance are increasingly personal as they directly affect financial security in retirement.

8. **Demographics are changing**. Millennials and Generation-X are increasingly taking over from Baby Boomers in positions of influence, changing business, financial and political landscapes. The newly formed French government is an example – half of its members are women. Younger generations are driving the fast growth of the "green bond" market and the field of sustainable finance in general.

9. **Regulation is providing tailwinds**. ESG considerations have driven new regulations in a growing list of countries, which is tangibly affecting credit fundamentals. Examples include the shutdown of nuclear power in Germany, the Supervisory Review and Evaluation Process (SREP) in Europe, which governs subordinated financial debt, and France's mandatory reporting of climate risk, which raises the bar for financial institutions.

10. **Value chains are global**. Large corporations' value chains are increasingly global – as highlighted in our secular forum in May. These value chains are complex and if poorly managed can prove costly. Investors can be quick to punish companies for child labour practices, human rights issues, environmental impact and poor governance.

Together these ten factors are fuelling the rapid growth of ESG investing. It's a trend we think will continue for some time.

How a Practical Guide to Sourcing Sustainable Cotton Could Help Transform the Industry

This article was written by Sally Uren on behalf of Sustainable Brands, June28th, 2018

"I would like to source more sustainable cotton, but I'm not quite sure where to start. There seems to be an awful lot of standards out there, and I'm not quite sure what the differences are between them.'

'I'd like to increase the volumes of sustainable cotton I buy, but I'm worried about sourcing different types of sustainable cotton — does a portfolio approach work?'

'I want to source sustainable cotton. I just want this to be easy. I wonder how other brands are doing it.'

These are real challenges, from real people working for real brands and retailers, big and small, across the world. In response to these challenges, on June 27th, at the **BCI Global Cotton Conference** in Brussels, the partners in the **Cotton 2040 coalition** are launching **CottonUP** — a practical guide to sourcing more sustainable cotton.
Why cotton, why now? Cotton is the most abundantly produced natural fibre in the global economy and its production supports the livelihoods of over 350 million people. However, cotton production is associated with significant environmental and social challenges that undermine the sustainability of the apparel sector as a whole. Sourcing more sustainable cotton has the potential to lift millions of farmers and their families out of poverty and reduce the commodity's negative environmental impacts.

Put simply, switching to the production of more sustainable cotton has huge potential environmental and social benefits and could help accelerate our overall progress towards the **Sustainable Development Goals**.

Plus, sourcing more sustainable cotton has huge business benefits, from brand building to minimising reputational risk, from increasing transparency to building long-term security of supply. And yet, even though according to the 2018 ***Pulse of the Fashion Industry*** report, 75 percent of fashion companies have improved their environmental and social performance over the past year, only around 15 percent of all cotton grown has any sustainability credentials, with only a fifth of this being sold as sustainable cotton — a mere 3 percent of the total global cotton supply.

So, how can one digital guide designed to help fashion brands and retailers fast track sourcing strategies across multiple standards ultimately help mainstream sustainable cotton production?

Well, because pulling the *demand* lever for any product can help drive market transformation, particularly if other levers are pulled at the same time.

This is the essence of the theory of change behind Cotton 2040, a unique cross-industry initiative aimed at integrating and accelerating action on critical issues to mainstream sustainably grown cotton by driving collaboration in three priority areas. As well as building demand for sustainable cotton the project aims to improve smallholder resilience and make traceability of cotton easier and more comparable.

Convened by global sustainability non-profit **Forum for the Future** with support from the **C&A Foundation** and started in 2015, Cotton 2040 brings together leading retailers **M&S**, **Target** and **Aditya Birla Fashion and Retail**; industry standards **Better Cotton Initiative** and **Cotton Made in Africa**; organic standards represented by **Textile Exchange** and **Fairtrade**; industry initiatives **CottonConnect**, **Proudly Made in Africa, Cotton Australia** and **Organic Cotton Accelerator**; as well as **IDH – the sustainable trade initiative**, **MADE-BY** and **Centre for Sustainable Fashion** at **London College of Fashion**. In other words, Cotton 2040 has invited 'the system into the room' — a key enabler for systemic change.

The *CottonUP* guide is a milestone output from Cotton 2040 and seeks to address one of the main barriers for companies looking to start sourcing or increase the amounts of sustainable cotton they source: the time and resources required to research and implement the most appropriate sourcing approach for their organization's sustainability priorities.

The guide highlights the business case and main sourcing options for sustainable cotton, provides guidance on creating a sourcing strategy and working with suppliers, and shares case studies from companies that have already navigated the complex challenges of sourcing more sustainable cotton. Our aim is to support all Cotton 2040 partners to drive demand to increase production of more sustainable cotton from 15 percent to beyond 30 percent from 2020. The theory is that at 30 percent of total production, the market reaches a tipping point at which the more usual market drivers kick in and sustainable cotton continues to grow without catalytic market enablers.

We've even boiled it all down to six steps to sourcing sustainable cotton:

The CottonUP guide has the potential to create catalytic change in the global cotton sector, as increasing demand will drive a range of other positive impacts. And it's catalytic change, not incremental change that shifts systems.

There are two other aspects to this guide that make me feel more confident that we'll see systemic change. First, the production of the guide has created additionality between numerous existing initiatives focused on sustainable cotton. As a neutral convenor, Forum for the Future has provided a space in the cotton system for the standards, codes and other programs to collaborate and combine their energy and resources to create something — a guide for use across the whole spectrum of more sustainable cotton — that would have been hard to create in isolation. Second, this isn't just a story of standards collaborating: Several leading brands from across the globe have also come together in a pre-competitive space to share what they've learnt in their sustainable cotton journeys.

The CottonUP guide features the ABC of transformational change: **Additionality**, **Brand-led Collaboration** and **Catalysis**. It's now time for D — **dissemination**. Over the coming months, Cotton 2040 partners will be reaching out to individual organizations and the wider industry to encourage greater use of cotton and provide support through webinars and other knowledge-sharing opportunities.

Sustainable Ocean Fund Raises $37.5 Million for 'Life Under Water'

This article was sourced from Impact Alpha, July 9th, 2018

Financing ecosystem conservation deals is complicated enough, what with the need for local partnerships, sustainable commodity production, payments for ecosystem services, and ways to improve local livelihoods. Financing such projects in coastal communities and marine environments is even more complex.

There are no more than a handful of impact funds targeting ocean investments, and countries have made little or no progress toward meeting Sustainable Development Goal No. 14, "life under water."

"Ocean-based protein, distressed fisheries, reef restoration: every investor says, 'Great,' Matthew Weatherley-White, managing director of the **Caprock Group**, a $3 billion wealth advisor said in an interview. "Then you get to these complicated, innovative, new kinds of deals. At that point, a lot of people get cold feet."

That makes all the more significant the persistence of fund manager **Althelia Ecosphere** and its limited partners in reaching a $37.5 million first close for a planned $100 million **Sustainable Ocean Fund**. Simon Dent, a former **BNP Paribas** banker, launched fundraising more than two years ago.

"Yes, it been a long road but excited to have well-needed investment $'s to deploy in the space," Dent told *ImpactAlpha* in an email exchange.

Althelia, now part of **Mirova** (which is itself part of **Natixis**) has raised a $120 million climate fund for land-based conservation projects. Dent had been struck by the billions in forestry investments while little if any capital flows to sustainable fisheries and ocean conservation. (Understanding this mismatch drove *ImpactAlpha's* special Financing Fish coverage.)

Aqua-Spark, a Dutch-based aquaculture fund, has raised more than $20 million and made a half-dozen or so investments. **Pescador Holdings**, developed by Encourage Capital for investment in sustainable seafood and fisheries in the Americas, has made investments in **Geomar**, a Chilean producer of gourmet canned seafood that works with coastal small-scale fisherman, and Portland, Ore.-based **Fishpeople**, which sells packaged meals featuring sustainably caught fish.

The **Sustainable Ocean Fund** aims to "invest into scalable impact-aligned economic models in the ocean space that generate real assets, build resilience in coastal ecosystems and create sustainable growth and livelihoods," Dent says. That means investments in both aquaculture and wild-caught fisheries, along with processing and supply chains, as well as solutions to waste and plastic in the oceans.

Dent said the fund plans to deploy capital in three projects before the end of the year. The fund will invest only in emerging markets, with at least 40% of the capital targeted for Latin America and the Caribbean.

Know your customer

Caprock brought a dozen investments totaling $8.5 million into the fund, which was anchored by $7.5 million each from **the European Investment Bank**, the global insurance company **AXA** and the Dutch development bank **FMO**. The **Inter-American Development Bank** added $4 million and the **David and Lucile Packard Foundation** made a $1 million program-related investment. **Althelia's** own partners invested $1.5 million.

"We are supporting this early-stage, innovative fund model as part of our strategy to address key sustainable oceans issues such as overfishing and habitat loss," **Packard's** Susan Phinney Silver told *ImpactAlpha*. She said the foundation's imprimatur, as well as its capital, helped the fund "gain traction with other impact investors to get to a critical mass of scale."

The Development Credit Authority of USAID agreed to provide credit enhancement through loan guarantees directly to the fund's portfolio companies. Conservation International and the Environmental Defense Fund are providing technical assistance.

Helping the Luxembourg-based fund get to a first close required a greater-than-usual amount of patience and paperwork, said **Caprock's** Weatherley-White. Not all investors are willing to provide an implicit subsidy in the form of the extra time and talent required to get novel vehicles off the ground, er into the water. “That’s a cost we’re willing to bear because that drives impact,” he said.

Luxembourg’s “know your customer” requirement alone took four months, said **Caprock’s** Mark Berryman, who also joined **Althelia** in La Paz, Mexico for due-diligence on prospective portfolio companies.

“We believe with absolute commitment that scalable, commercial, market-based solutions are critical to drawing capital into themes like sustainable fisheries and oceans,” said Weatherley-White. “We have to get these funds launched to prove out the thesis.”

Trends in Corporate Social Responsibility and Sustainability

This article was written by Avery Phillips on behalf of The Environmental Magazine, July 16th, 2018

Social & environmental impact increasingly factored into a company’s overall value

A company’s worth is based not only on how much money they make, how many products they sell, or how many customers they reach, but also on their social and environmental impact. Recently, with the rise of global warming, plastic pollution, and other environmental dilemmas, more and more companies have been stepping up to take on more roles in responsibility for people and the planet.

This is embodied by corporate social responsibility (CSR), of which a major trend is sustainability and decreasing waste within a business. Consumers are choosing to support eco-friendly and sustainable companies more and more, and companies are trying to enact best practices.

Why CSR Matters

According to a report on modern sustainability, the movement started with the **Clean Air Act of 1970** and the first **Earth Day**. After that, the first plastic recycling plant in the US opened in Pennsylvania in 1972, and was followed by more laws for sustainability in the following decades.

It’s clear that action needs to be taken to revive and maintain the health of our planet. While this effort is the responsibility of every person on Earth, it’s especially important that businesses own up to their share of efforts. While creating a CSR program specifically protecting the environment is important, it has now become crucial that big companies simply incorporate sustainable practices into their daily functions.

According to an article on CSR in today’s society by Ohio University, “it should become ingrained in the values and culture of a company, and positively affect the way the company does business. CSR should become inherent in the mission and message of an organization, and also hold a strong place in marketing and advertising.”

Recently, a report on greenhouse emissions in the last 20 years found that just 100 companies are responsible for over 70 percent of greenhouse emissions, with one quarter of those companies responsible for over half of the pollution.

The highest emitting companies since 1988 that are investor-owned include: **ExxonMobil, Shell, BP, Chevron**, **Peabody, Total,** and **BHP Billiton**. Additionally, key state-owned companies include: **Saudi Aramco, Gazprom, National Iranian Oil, Coal India, Pemex, CNPC (PetroChina)**.

Corporate Sustainability in Practice

Although these companies are contributing the most to global pollution, it is still imperative that all companies make an effort to keep the planet green. A few ways companies can go green right in their offices include creating a paperless plan, leveraging scanning technology, installing light sensors to conserve energy, and continuing to reduce, reuse, and recycle.

Today, most companies have some sort of green initiative. The nonprofit organization **Climate Counts** put together a ranking of green companies, each company being marked out of a possible 100 points, with 100 being the best score possible. Some of the companies that scored the highest include**: Nike, Google, Hewlett-Packard, Anheuser-Busch**. Several companies, however ranked with a total of 0 to 1 point, including: **Burger King, Darden Restaurants, Yum! Brands, Wendy's.**

One way individuals can push for sustainability practices is to give more business to green companies, and less or none to non-sustainable ones. This way, environmentally harmful companies will either be pushed to succeed or will eventually fail. Shopping at local companies can have an even better impact on the environment.

Impact in the News

- Ireland becomes first country to divest from Fossil Fuels

The Republic of Ireland will become the world's first country to sell off its investments in fossil fuel companies, after a bill was passed with all-party support in the lower house of parliament.

- Local leaders in Brazil look for ivnestments in social impact.

In São Paulo and increasingly across Brazil, local leaders believe that social finance can fuel an entrepreneurial revolution to reduce historical inequality, preserve of the country's natural resources, and enable sustainable development.

- Nesta's Arts Impact Fund invests in six more U.K. art enterprises

The £7 million ($9.2 million) fund lends to social enterprises in the U.K.'s arts and culture sector. "Issues ranging from youth mental health to loneliness and lack of community cohesion, are addressed via the power of arts and culture to encourage empathy and belonging," says Nesta's Fran Sanderson. The fund, now fully committed, has provided working capital, cashflow and other loans to 22 organizations

- Asia's private investors wake up slowly to environmental, social and governance risks

The $1.4 trillion Government Pension Investment Fund of Japan is integrating environmental, social and governance, or ESG, factors. Hong Kong mandates ESG disclosure requirements for listed companies. The Japan Exchange Group and Singapore Exchange are promoting sustainable investing.

E3 = Epic Time, Talent & Treasure

Epic Capital Wealth Management is a mission-driven firm with a genuine passion for community, both locally and around the world, with a focus specifically on social outreach initiatives. We give our time, talent and treasure to organizations that support the working poor, homeless men women and children, or those families struggling to make ends meet. This is meaningful to us because we feel extraordinarily blessed for all of the things we have in our lives and the opportunities that we have been given to do work that we love. So we have made our passion for reaching across to lend a hand or lifting others up a part of our corporate charter. We call it ***E3***.

- We give **our time** through our quarterly *Epic Outreach* program, serving where the greatest needs are through local charities serving around the Charlotte area as well as internationally around the world.
- We give **our talent** through administering financial awareness workshops for organizations and churches that minister in low income neighborhoods, in addition to our partnership with Common Wealth Charlotte.
- And we give **our treasure** through our *Epic Impact Grant Program* to local community and global organizations that meet our social outreach criteria.

We believe that we are all called to serve. We also believe that the positive impact one can make by empowering the life of another can alter the direction of that individual's life forever.

We are pleased to announce that we have opened up our quarterly Epic Outreach initiatives to include volunteer participation from clients of Epic Capital. Please consider joining us during one of our upcoming volunteer efforts.

CharMeck Adopt-a-Stream Clean – Q2 2018

We had beautiful weather for Epic Capital's stream clean effort today. This is part of the Charlotte-Mecklenburg Storm Water Services Adopt A Stream program. Our section is across Park Road from the pond at Park Road Park. It was an extraordinary experience on many fronts. It's amazing what disregard some have for our environment. Plastic bottles, and big gulp styrofoam cups everywhere. They simply don't decompose. Glass bottles and cans too. We also came across someone's personal belongings and a make-shift camp sight for someone who is obviously homeless. Other findings included Softballs (4), tennis balls (8-10), flip-flops (2), rubber gloves (3), tire (1), Street sign post (1), hypodermic needle (1), license plate (1), Nerf darts (5-6). Total collected: about 3 large garbage bags of discard or should we say "disregard". It's such a great program, and you can instantly see the results of your efforts. If you would like to learn more or get involved, check them out online: http://charlottenc.gov/StormW…/Volunteer/…/AdoptAStream.aspx

If you would like to consider other volunteer opportunities, or to learn more about over 400 local non-profits in the Charlotte region, please visit a community partner of ours who we hold in very high regard: **Share Charlotte** https://sharecharlotte.org/

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