



Terra Alpha Newsletter

Every Week is Climate Week at Terra Alpha



Last week was Climate Week in NYC so for five days the financial community was abuzz about climate change. There is no doubt amongst scientists, most policy-makers, and the majority of the general public that our planet's rapidly changing ecosystem is a very real challenge to our society. We are also seeing mounting evidence of climate change's impacts on human health, communities, and businesses.

Unfortunately, amongst investors and economists, climate change apparently remains a niche issue. A recent survey conducted by BNY Mellon reported that only 7% of investors believe that climate change is being priced into global markets as an investment risk. Lord Stern, the author of the UK HM Treasury report, *The Economics of Climate Change*, recently noted that academic economists are "letting down the world". Specifically, he continues "... the *Quarterly Journal of Economics*, which is currently the most-cited journal in the field of economics, has never published an article on climate change."

Climate change, water risks, the deteriorating state of our oceans, soils, and forests, and dwindling natural resources have been at the center of Terra Alpha's investment thesis since the founding of our firm in 2014. The finite supply of critical environmental resources represents a growing threat to human livelihood. We believe that it is both essential and possible to shift our economy into alignment with our natural systems in order to assure long-term societal sustainability. Furthermore, we believe that by identifying those companies which have truly enduring business models and that are actively working to change all aspects of their businesses to align with environmental and societal needs, we will deliver superior outcomes for our investors, our environment, and the world.

While we participate in efforts like Earth Day and Climate Week in order to raise awareness of the environmental realities confronting our society, we work every day of every week to drive change through our investments and our engagements.

Terra Alpha Ranked Highly in PRI Assessment Report 2019

Terra Alpha Investments is pleased to announce that we have received exceptionally high marks on the 2019 Principles for Responsible Investment (PRI) Annual Assessment Report. We scored an "A+" rating in Strategy and Governance, and an "A" rating in Incorporation and Active Ownership. These ratings place us above the median scores of our peers in each category.

Click here to view the [full press release](#).

"Trust, but verify"

This phrase is often associated with U.S. President Ronald Reagan, though it is in fact an old Russian phrase that he learned from Soviet Premier Gorbachev. The key premise is that words are nice, but they must be supported by facts.

Over the last few years, there have been growing signs of change in corporate C-Suites and boardrooms in recognition of growing demands from customers, employees, NGOs, and even some investors. These groups have called for a broader perspective on corporate governance than simply "maximizing shareholder value." While we very much support the creation of shareholder value, this should not be built by "externalizing" societal and environmental costs.

Last month, the Business Roundtable made a very public commitment to multi-stakeholder value with over 180 CEOs signing the Statement on the Purpose of a Corporation. This is undoubtedly a step forward, though our research into many of the signatory companies indicates very little real action that would trigger meaningful change. In fact, several of those companies seem more intent on preventing change, rather than embracing it.

A large part of Terra Alpha's investment research is designed to determine which companies have changed or truly are actively changing their business practices in order to build value for all stakeholders. This is based on the simple premise that the best path to long-term investment returns is to build a business that adds value to each of its constituents (e.g., customers, employees, communities, and shareholders).

Both our Environmental Productivity and Enduring Business Model analytical frameworks incorporate all available, relevant, and material environmental, social, and governance data and information. Our analysis includes current and prospective plans for improvement and how targets are overseen by the company's board and tied to management reviews and compensation. We track progress on goals and engage with companies to encourage setting even more aggressive targets. For example, we expect companies to move from simple carbon reduction targets to the setting of Science-Based Targets.

Our investment research and corporate engagement work helps us to verify that companies are indeed committed to their words. For more insights on our company analysis and ratings, please feel free to contact us.

All eyes on China as national carbon market plan emerges from haze

Written by Jill Baker, Terra Alpha Research Analyst

The world waits anxiously for news of China's carbon market rollout.

Experts say such a move by the world's second-largest economy would underscore the legitimacy of ETS for pricing carbon worldwide, be a win-win for China on the world stage, and help clear the air in China's smog-choked cities, as well.

China is the largest emitter of greenhouse gases (at an estimated 27% of the global total), a large portion of which are produced by burning coal.

[Read More.](#)

The Real Intent Behind Reduce, Reuse, and Recycle



While the origins of the phrase "reduce, reuse, recycle" are often debated, its use as a slogan to support environmental conscientiousness is not. The slogan paints a picture reminiscent of a circular system, intended to promote the sustainable management of waste. Raised and centered to its counterparts, the slogan's "RECYCLE" mandate, is often read as the symbol's most urgent reminder.

Recycling, however, is not the most efficient way to sustainably manage the disposal of the waste we create. This system can and should be thought of as a hierarchy, with preferential bias given first to reducing the amount of waste we produce by simply not consuming beyond our needs. Next preferred is to reuse everything that we can in order to extend a product's life. Only when a necessary item can no longer be of value should it be recycled.

By seeing recycling as the last step in the process, we take other, more proactive steps to limit the waste we produce by either simply avoiding over-consumption from the start, or by finding novel ways to re-purpose what we already own to meet future needs. With a growing world population and increasing demand to produce manufactured goods, effectively managing the use and disposal of our waste is necessary. While recycling is a key part of the process, it should not be seen as the sole solution to the growing pressures on our waste management system.



New Website is Here!

We have recently launched a [new website](#) that does an even better job of communicating Terra Alpha's investment philosophy and advocacy goals.

The site features our updated logo, in-depth information on who we are and what we do, refreshed contact forms, and an Investment Portal for accredited individuals and their representatives. We are excited to share the launch of our website and hopeful that it provides you with all the information you may need.



Jean Rogers talks moon suits, SASB, and Terra Alpha



"I'm proud to be working with this talented investment team that is grounded in evidence, informed by science, and has such a unique and caring perspective on our planet – this fragile, unique, blue planet that we call home. It's probably no coincidence that many of my fellow advisory board members are actual rocket scientists. There's something about donning a moon suit that makes you appreciate your connection to this earth- or at least not take it for granted."

Read Jean's full blog post [here](#).



About Terra Alpha

Terra Alpha Investments is a public equity manager founded in 2014 by highly experienced investors who share the conviction that our rapidly evolving world requires a change in investing thinking. Our rigorous and proprietary Environmental Productivity (EP) analysis values our planet's natural resources and sits at the center of our successful investment process. Our unique combination of quantitative and qualitative analysis helps us identify companies with the optimal combination of enduring business models and superior EP; which we believe is the primary driver of our ability to deliver superior long-term investment returns for our investors.

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