



Terra Alpha Newsletter

We have long noted our expectations that the path to a sustainable economy would be full of twists and turns, yet always moving forward. This newsletter highlights areas of progress in the accounting and healthcare industries, impact work we have done, as well as updates on our firm and the people who work here.

How Improved Accounting Helps Build a More Sustainable Economy

“What doesn’t get measured doesn’t get managed”

Currently, there are two primary financial accounting protocols for publicly traded companies: the General Accepted Accounting Principles (GAAP) in the US and the International Financial Reporting Standards (IFRS) that prevail outside the US. In both cases, these accounting protocols were developed under the guidance of accounting professionals, codified by regulators (in the US by the Securities and Exchange Commission), and designed for the benefit of, and primarily used by, investment professionals, shareholders, and taxing authorities.

While GAAP and IFRS have broadly improved financial data transparency and quality, they also have, in our and many others’ opinions, similar basic flaws; they each either largely ignore or significantly undervalue how much any business uses and impacts our planet’s natural resource systems. This failure to properly measure and value our planet’s most critical natural resources (e.g. clean air, freshwater, and healthy soil, forests, and oceans) has directly led to overuse and decline in these essential resources.

Expanding Disclosures

Thankfully, a plethora of organizations that have been formed over the past 10 years or so are reshaping non-financial corporate reporting practices—and in the past year alone, a number of these efforts have released draft or final protocols that we believe will lead to a significant improvement on environmental use and impact reporting.

We particularly note the [International Sustainability Standards Board's](#) (affiliated with IFRS) Sustainability Disclosure Standards, the EU's [Corporate Sustainability Reporting Directive](#) and [Taxonomy](#), and the new [California Greenhouse Gas \(GHG\) Emissions rules](#), all of which are moving toward mandatory disclosure requirements of companies. Later this year we expect the SEC to release final rules for [climate-related disclosure](#) by companies (public and private), as well.

In the voluntary disclosure world, we are excited about the [Taskforce on Nature-related Financial Disclosures](#) (TNFD), which seeks to apply the [Taskforce on Climate-related Financial Disclosures'](#) (TCFD) approach to broader realms of nature (including water and biodiversity). Although such initiatives begin as voluntary efforts, we believe they are an important building block toward mandatory reporting requirements. For instance, the International Sustainability Standards Board's work is largely built upon the earlier foundations provided by voluntary initiatives like the [Sustainability Accounting Standards Board](#) (SASB), the [Climate Disclosure Standards Board](#) (CDSD), and TCFD.

This revision of accounting systems and corporate reporting is broadly endeavoring to place a value on the use and impact on natural resources (though still not the full value of people). We are optimistic about the impact of these efforts to reshape corporate accounting and reporting practices, which will increase the understanding amongst investment professionals and shareholders about the real impact companies are having on critical natural resource systems.

Sustainable Health Care is Not Extra Credit, it is Mission Critical

From the Terra Alpha Investments Team, CIO Tim Dunn and Research Analysts Roshni Puli and Marissa Oliveri attended [EcoAmerica's National Health + Climate Forum](#) to learn about the intersection of climate and health from health care clinicians, public health professionals, and educators. The core theme of the conference was: Sustainable healthcare is mission critical because **climate solutions are health solutions**.

Key takeaways from the EcoAmerica Forum include:

- ***Climate Risk Exacerbates Equity Risk***
In the US, communities of low socioeconomic status face higher heat risk from extreme weather, especially those in historically [redlined](#) neighborhoods which are 5° hotter due to limited green space and greater paved surfaces.
- ***Climate Change Disproportionately Harms Younger Generations***
A newborn's skin surface area to body weight ratio is ~[3x](#) greater than an adult's. As climate change progresses and air quality deteriorates, newborns face an outsized risk of [lifelong](#) obesity and infertility because their skin absorbs more pollutants.

- **Climate Change Impairs the Quality of Healthcare Outcomes**
Hospitals lack climate-resilient infrastructure. Between 2000 and 2017, [75%](#) of hospital evacuations were for climate-related events and [50%](#) of those involved over 100 patients.
- **Climate Change Jeopardizes Human Health**
 - Mental Health - According to the [2021 EcoAmerica Report](#), over 75% of Americans report they are “concerned about climate change”, and those who are most “alarmed” (about 25% of the United States population) nearly doubled from 2017 to 2021.
 - Physical Health - Global warming in the US instigates earlier *and* longer allergy seasons with up to [200%](#) higher pollen counts and a greater toll of [lung problems](#).
- **Medical Professionals are Taking Action to Combat Climate Change**
Many physicians wear [Climate Rx](#) Badges to utilize point-of-care access and occupational credibility to advocate and educate patients on how climate change impacts patients’ health.

Terra Alpha Impact

Nature Action 100+



With more than half of the world’s GDP reliant on nature and the services it provides, depleting natural capital creates significant operational, regulatory, litigation, and reputational risk for investors and companies. Terra Alpha is participating in [Nature Action 100](#), a global investor-led initiative working to drive the necessary corporate action to reverse nature loss.

On September 26th, Nature Action 100 announced that 190 institutional investor participants - representing \$23.6 trillion in assets under management or advice - have kicked off direct engagement with 100 companies in key sectors around the world that are deemed to be systemically important in reversing nature and biodiversity loss by 2030.

[Read the full statement here.](#)

Advisory Board Highlight – Kathy Baughman McLeod launches Climate Resilience For All



Terra Alpha Advisory Board Member Kathy Baughman McLeod has launched [Climate Resilience for All](#), a gender-focused climate adaptation nonprofit dedicated to the protection of people and livelihoods from extreme heat and all its impacts. Their team is passionate about tangible results and trusted partnerships that help people now – and about changing the systems that bring harm from extreme heat to the human condition.

We wish Kathy and her team great success.

Thought Leadership

Sun Valley Forum



CIO Tim Dunn sat on the [Sun Valley Forum](#)'s Catalytic Climate Finance: Total Resource Activation panel moderated by Confluence Philanthropy's CEO & Co-Founder, Dana Lanza. Tim, along with Amalgamated Bank's Chief Sustainability Officer, Ivan Frishberg, AITi Tiedemann Global's Managing Director, Brad Harrison, and The Russell Family Foundation's President, CEO & Co-Founder, Kathleen Simpson, discussed how leaders across banking, philanthropy, and asset management are deploying all of their resources to maximize climate impact.



The Sun Valley Forum is a global climate solutions accelerator that brings together cross-sectoral leaders, innovators, and change-makers to collaborate on the most urgent issues facing people and our planet. With a track record of impact, the Forum surfaces the strategies, technologies, business models, and financing that can power the urgent transformation of our energy and food systems, restoration of nature, and revitalization of communities across the globe.

EP Insight | Battery Passports



In our latest EP Insight, Terra Alpha highlights battery passports: a concept that will offer increased transparency about a battery's components, enabling easier recycling and a more circular, sustainable battery supply chain.

Supported by Avery Dennison and Umicore, the battery passport concept is an emerging innovation that highlights the need for all types of organizations across the value chain to collaborate alongside regulators if we are to achieve a truly sustainable economy.

[Read the full EP Insight here.](#)

Events & Engagements

- CIO Tim Dunn and Research Analyst and Associate Director of Research Julianna Brunini participated in a Climate Finance study led by Masters students in a Sustainability program at American University
- Tim was interviewed for an academic study on the impact of the "anti-ESG" movement in the US by a graduate student at the University of Edinburgh
- Tim was interviewed by [Plantings magazine](#)
- Director of Corporate Engagement Amy Dine led Terra Alpha's effort in submitting our 2023 Report to [Principles for Responsible Investment](#)

Team Updates

Roshni Puli Joins the Terra Alpha Team

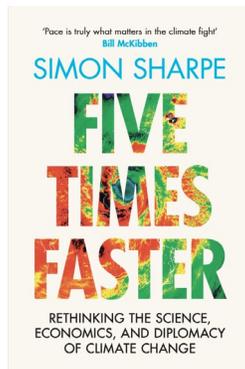


[Roshni Puli](#) recently joined the firm as a Research Analyst on the Investment Team. In this role, she will be responsible for research coverage of and corporate engagement within several industrial and healthcare industries. She will also serve as the resident expert on waste and circularity.

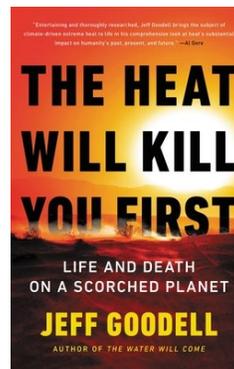
As Roshni begins her time with the firm, she says “I am honored to join Terra Alpha Investments. Alongside our intelligent, eclectic team, I look forward to protecting our biggest asset – nature – and creating impact through meaningful investments and analysis.”

Resources

Book recommendations:



[Five Times Faster](#)
by Simon Sharpe



[The Heat Will Kill You First](#)
by Jeff Goodell



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 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 as we seek to deliver superior long-term investment returns for our investors.

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