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BoE Governor Carney on Carbon Disclosure and Asset Re-pricing

Bank of England (BoE) Governor Mark Carney told a Lloyd's of London insurance market event that companies must be more open about their "climate change footprint" to avoid abrupt changes in asset prices that could destabilize markets.

Mr. Carney also mentioned that since the 1980s the number of registered weather-related loss events has tripled and inflation-adjusted insurance losses from these events have increased from an annual average of around \$10bn in the 1980s to around \$50bn over the past decade, an increase of 500% in less than 30 years.

In his speech to the Lloyd's members Carney elaborated on three specific risks he sees to financial stability:

1. *Physical risks:* the value of today's financial assets (e.g. insurance) that arise from climate- and weather-related events (floods, storms etc.)
2. *Liability risks:* tomorrow's impacts if parties who have suffered loss or damage from the effects of climate change seek compensation from those they hold responsible
3. *Transition risks:* the financial risks which could result from the process of adjustment towards a lower-carbon economy. Changes in policy, technology and physical risks could prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent.

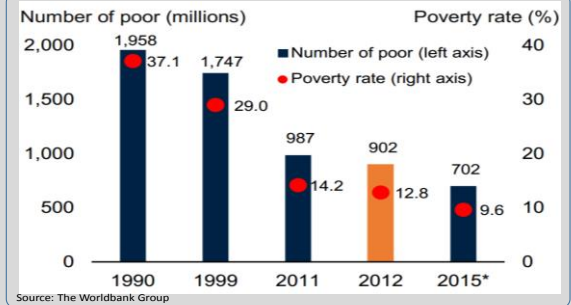
The former Goldman Sachs manager warned that the speed at which assets such as coal, oil and gas reserves are re-priced to reflect the impact of climate change is vital to reduce potentially "huge" financial risks to British insurers and other investors.

"Risks to financial stability will be minimized if the transition begins early and follows a predictable path" said Carney, urging companies to become more transparent about their climate related risks.

Extreme Poverty Drops Below 10%

The World Bank projects that the number of people living in extreme poverty will fall below 10% of the global population this year for the first time ever, with estimates that just over 700 million people are living below the poverty line in 2015.

The numbers come as the organisation has updated the international poverty line for the first time since 2008 to keep up with inflation. The new global poverty line is US\$1.90, up from the former US\$1.25.



Just three years ago, the extremely poor numbered 902 million, which accounted for 12.8% of the global population. Comparatively, the dip to 702 million represents just 9.6 percent of the world population.

"This is the best story in the world today – these projections show us that we are the first generation in human history that can end extreme poverty" said Jim Yong Kim, president of the World Bank Group. "This new forecast of poverty falling into the single digits should give us new momentum and help us focus even more clearly on the most effective strategies to end extreme poverty."

The goal of limiting global temperature rises to two degrees above pre-industrial levels would render the vast majority of fossil fuel reserves "stranded" or unburnable without expensive carbon capture technology, he said.

CEO Cash Payout Ratio Compared to Median Worker Pay in Top 100 US Listed Companies (2013)

| Rank | CEO | Company | CEO Cash Pay* | Median Worker Pay | CEO Multiple |
|------|-------------------------|---------------------------------|---------------|-------------------|--------------|
| 1 | Larry J. Merlo | CVS Caremark (CVS) | \$12,112,603 | \$28,700 | 422.0 |
| 2 | Richard J. Kramer | Goodyear Tire & Rubber (GT) | \$15,086,645 | \$46,700 | 323.1 |
| 3 | Robert A. Iger | Walt Disney (DIS) | \$17,038,538 | \$60,300 | 282.6 |
| 4 | K. Rupert Murdoch | Twenty-First Century Fox (FOXA) | \$20,899,150 | \$77,900 | 268.3 |
| 5 | David M. Cote | Honeywell International (HON) | \$16,560,958 | \$78,400 | 211.2 |
| 6 | W. James McNerney, Jr. | Boeing (BA) | \$15,736,525 | \$79,300 | 198.4 |
| 7 | Martin J. Barrington | Altria (MO) | \$12,081,722 | \$69,000 | 175.1 |
| 8 | Daniel P. Amos | Aflac (AFL) | \$6,419,333 | \$40,800 | 157.3 |
| 9 | Samuel R. Allen | Deere (DE) | \$8,661,229 | \$57,900 | 149.6 |
| 10 | Frederick W. Smith, III | FedEx (FDX) | \$6,982,706 | \$48,300 | 144.6 |
| | | | | | |
| 90 | D. Scott Davis | United Parcel Service (UPS) | \$1,587,725 | \$56,600 | 28.1 |
| 91 | Joseph M. Tucci | EMC (EMC) | \$2,569,137 | \$96,500 | 26.6 |
| 92 | Virginia M. Rometty | I.B.M. (IBM) | \$2,261,808 | \$90,400 | 25.0 |
| 93 | Stephen I. Chazen | Occidental Petroleum (OXY) | \$1,887,359 | \$85,500 | 22.1 |
| 94 | Richard P. Hamada | Avnet (AVT) | \$1,377,062 | \$63,800 | 21.6 |
| 95 | Mark T. Mondello | Jabil Circuit (JBL) | \$1,090,600 | \$55,000 | 19.8 |
| 96 | W. Craig Jelinek | Costco (COST) | \$828,448 | \$45,700 | 18.1 |
| 97 | Lawrence J. Ellison | Oracle (ORCL) | \$1,547,057 | \$104,500 | 14.8 |
| 98 | Steven A. Ballmer | Microsoft (MSFT) | \$1,261,218 | \$114,500 | 11.0 |
| 99 | Warren E. Buffett | Berkshire Hathaway (BRKA) | \$485,606 | \$56,900 | 8.5 |
| 100 | Margaret C. Whitman | Hewlett-Packard (HPQ) | \$535,335 | \$84,500 | 6.3 |

Source: Payscale Human Capital; 2013 data *CEO stock options not included

Carney, who made no comment on UK monetary policy, also heads the Financial Stability Board (FSB), which coordinates financial regulation for the Group of 20 economies (G20).

New Cooperative Bank for Common Good

At the end of 2014 a new cooperative bank was founded in Austria. The bank aims to follow the initial ideas of Friedrich Wilhelm Raiffeisen who formulated his motivation to establish a new bank cooperative in 1872: "A cooperative should serve the needs of its members as much as the needs of society." While the very large Raiffeisen groups no longer follow these underlying principles of their founder, the new cooperative bank commits to exactly these guidelines from 150 years ago.

As a consequence the new bank wants to "primarily promote and support socially responsible projects and has no plans to pay dividends to its members and owner" says Robert Moser, founder and President of the new cooperative bank. Additionally the new cooperative bank will not only assess the financial viability of future loan applications, but also the applicants' contribution to the greater societal good. Finally, savings accounts will not accrue any interest, but also serve the greater common good.

So far the cooperative has raised EUR1.5MM of the necessary EUR6MM equity it needs to apply for an official banking license in Austria. In order to limit each individual's influence on the future bank, contributions are limited to EUR100,000 per cooperative member. Mr. Moser is confident that the cooperative will be able to apply for its banking license in early 2016.

SEC Adopts CEO Pay Ratio Rule

A new federal rule by the United States Securities and Exchange Commission (SEC) will require public companies to list their chief executives' total annual compensation as a ratio to their workers' median pay, after the SEC adopted the rule in early August.

The new rule comes five years after Congress approved the Dodd-Frank Wall Street Reform and Consumer Protection Act, which included the pay ratio rule.

The new rule - heavily contested by corporations and lobby groups across the US - will come into effect in 2017 and is widely expected to increase transparency around workers' and CEO compensation. The ratio, cropping up every year in audited financial statements could stoke a debate over income inequality that has intensified in recent years as the wages of top earners have grown far more quickly than anyone else's.

Fifty years ago, chief executives were paid roughly 20 times as much as their employees, compared with nearly 300 times in 2013, according to an analysis last year by the Economic Policy Institute.

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