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Aligning Sustainable Development Goals With Investment Objectives: The Next ESG Challenge

“The Sustainable Development Goals are the greatest growth opportunity in a generation.”

- Paul Polman, CEO, Unilever (2016).¹

INTRODUCING THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are 17 social, environmental, and economic goals that frame the global agenda for sustainable development.² The aim is for all countries to achieve the goals and their targets by 2030.

They were adopted by the international community in September 2015³ and cover a diverse range of issues including gender equality, sustainable cities, access to clean water, decent work and economic growth, and good governance.

The SDGs' focus is broader than the preceding Millennium Development Goals (MDGs),⁴ as the MDGs were largely determined by OECD countries and international donor agencies. In contrast, the SDGs have been produced by detailed international negotiations that have involved high-, middle-, and low-income countries.

Progress toward the MDGs also varied sharply along two key dimensions: the rural-urban divide and demographic features. People living in cities saw far more development progress than those in rural areas, reflecting the importance of scaling economies in urban centers and the challenges of providing services in more sparsely populated rural localities.⁵

¹ Paul Polman, CEO, Unilever, “Why the SDGs are the Greatest Growth Opportunity in a Generation”, (2016), Link: <https://www.unilever.co.uk/news/press-releases/2016/why-the-sdgs-are-the-greatest-growth-opportunity-in-a-generation.html>

² U.N. Sustainable Development Goals, (2015), Link: <https://sustainabledevelopment.un.org/?menu=1300>.

³ U.N. Sustainable Development Goals, (2015), “World Leaders adopt Sustainable Development Goals” at the U.N. Sustainable Development Summit in New York, (2015), Link: <http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2015/09/24/undp-welcomes-adoption-of-sustainable-development-goals-by-world-leaders.html>.

⁴ Millennium Development Goals, U.N. Millennium Declaration, (2000), Link: <http://www.un.org/millennium/declaration/ares552e.htm>.

⁵ U.N. Development Program (UNDP), World Bank Group, “Transitioning from the MDGs to the SDGs,” (2016), Link: <http://www.undp.org/content/undp/en/home/librarypage/sustainable-development-goals/transitioning-from-the-mdgs-to-the-sdgs.html>.

Moreover, the SDGs are universal—they apply to all countries and actors, and they recognize that businesses and investors must play a pivotal role in their achievement. Major agreements reached in Addis Ababa⁶ in 2015 and the Paris Agreement⁷ in 2016 further strengthen the SDG framework.⁸

Exhibit 1: Use Cases for the MDGs Versus the SDGs

MDGs	SDGs
Mainly for developing countries	Universal—for all countries
8 siloed goals for development	17 goals, 169 targets, integrating 3 dimensions of sustainable development
From U.N. Secretariat	Negotiated by member states with stronger country ownership
Means of Implementation (Mol) monitoring and follow-up not defined in advance	Mol intergovernmentally negotiated, global architecture and monitoring system being shaped

Source: S&P Dow Jones Indices LLC. Data as of 2017. Table is provided for illustrative purposes.

The SDGs are universal—they apply to all countries and actors and they recognize that businesses and investors must play a pivotal role in their achievement.

The U.N. estimates the annual cost to meet the SDGs globally to be between USD 5 and 7 trillion for the next 12-15 years⁹ and that actual funding is estimated to fall short of that—leaving an annual funding gap of USD 2.5 trillion.¹⁰ Hence, it is up to market participants to fill this funding gap. Progress has been made, with the SDGs being adopted as a new framework and language that investors, corporates, policy makers, and others can use to communicate about and report on impact.

Meanwhile, the upside potential for businesses across initiatives around “food and agriculture, cities, energy and materials, and health and well-being” is enormous—with the potential for USD 12 trillion in revenues and savings alone, according to a recent report by the Business Commission (2017).¹¹

Through the alignment of goals, the international, corporate, and financial communities finally grasp that all is connected—but exactly how is everything connected in the context of the SDGs? What role can mega trends and risks play in providing a broader perspective on interconnectedness? Also, which connections are material and provide investable options?

⁶ U.N. “Financing for Development – Countries Reach Historic Agreement to Generate Financing for New Sustainable Development Agenda,” (2015), Link: <http://www.un.org/esa/ffd/ffd3/press-release/countries-reach-historic-agreement.html#>. From “Financing for Development” at <http://www.un.org/esa/ffd/ffd3/>.

⁷ UNFCCC, “The Paris Agreement,” (2015), Link: https://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf. From “Climate Finance” at http://unfccc.int/cooperation_and_support/financial_mechanism/items/2807.php.

⁸ For further references, see OECD, “Better Policies for 2030: An OECD Action Plan on the Sustainable Development Goals, Meeting of the OECD Council at Ministerial Level,” (2016), Link: <https://www.oecd.org/dac/OECD-action-plan-on-the-sustainable-development-goals-2016.pdf>.

⁹ See e.g. UNEP, “The Financial System We Need – From Momentum to Transformation,” (2016), Link: http://unepinquiry.org/wp-content/uploads/2016/09/The_Financial_System_We_Need_From_Momentum_to_Transformation.pdf.

¹⁰ World Economic Forum, “There’s a \$2.5 trillion Development Investment Gap. Blended Finance Could Plug It,” (2016), Link: <https://www.weforum.org/agenda/2016/07/blended-finance-sustainable-development-goals/>.

¹¹ Business Commission, “Better World, Better Business,” (2017), Link: <http://report.businesscommission.org/report>

In this article, we explore the role of the SDGs across the investment value chain and aim to address some of these questions.

FROM THE BRUNDTLAND REPORT TO AGENDA 2030 AND POSITIVE IMPACT PRINCIPLES – SDG SYNERGIES

The term "sustainable development" has been in existence for decades—30 years ago, in 1987, the World Commission on Environment and Development proposed developing new ways to assess progress toward sustainable development in the "Brundtland Report."¹²

This was echoed in subsequent international summits and agreements on sustainable development, including the first Rio Summit in 1992,¹³ the Johannesburg Plan of Implementation in 2002,¹⁴ and the U.N. Commission on Sustainable Development (CSD).¹⁵

However, historically, there was a lack of comprehensive goals or targets for "the future we want"¹⁶ and a lack of adequate monitoring of progress toward enduring human and environmental well-being. The absence of an overarching framework limited the ability to assess progress toward attaining sustainable development.

Now, with the SDGs, there is more clarity and transparency around goals, targets, synergies, and metrics for sustainable development; a key example is a recent report from the International Council for Science (2017)¹⁷ that provides a unique guide to translating the SDGs into reality and quantifies SDG synergies and conflicts. Most importantly, the report also found that there are no fundamental incompatibilities between goals.

Harmonization of impact investment standards and metrics is paving the way for broader adoption. In January 2017, the United Nations Environment Programme – Finance Initiative (UNEP FI) launched the "Positive Impact Principles"¹⁸ to provide guidance for financiers and market participants to analyze, monitor, and disclose the social, environmental, and economic impacts of the financial products and services they deliver.

With the SDGs, there is more clarity and transparency around goals, targets, synergies, and metrics for sustainable development.

¹² U.N. World Commission on Environment and Development (WCED), "Report of the World Commission on Environment and Development: Our Common Future," (1987), Link: <http://www.un-documents.net/our-common-future.pdf>.

¹³ U.N. Conference on Environment and Development (UNCED), Rio de Janeiro (1992), Link: <http://www.un.org/geninfo/bp/enviro.html>.

¹⁴ U.N., "Plan of Implementation of the World Summit on Sustainable Development," Johannesburg, (2002), Link: <http://www.un-documents.net/jburgdec.htm>.

¹⁵ U.N. Commission on Sustainable Development (founded 1992), Link: <https://sustainabledevelopment.un.org/csd.html>.

¹⁶ The fifth Global Environment Outlook (GEO-5), "Summary for Policy-Makers (SPM). U.N. Environment Programme," Nairobi, Link: <http://www.uncsd2012.org/rio20/index.php?page=view&type=400&nr=280&menu=45>.

¹⁷ ICSU, "A Guide to SDG interactions: from Science to Implementation," May 2017, Link: <https://www.icsu.org/publications/a-guide-to-sdg-interactions-from-science-to-implementation>.

¹⁸ UNEP, "Principles for Positive Impact Finance," (2017), Link: <http://www.unepfi.org/wordpress/wp-content/uploads/2017/01/POSITIVE-IMPACT-PRINCIPLES-AW-WEB.pdf>.

Harmonization of impact investment standards and metrics is paving the way for broader adoption—but without more definitions around industry standards, they might be limited in usefulness.

The “Positive Impact Principles” are backed by a dedicated Manifesto (2015),¹⁹ which aims to bridge the funding gap for sustainable development and the achievement of the SDGs via a new, impact-based approach, focusing on a holistic consideration of the “three pillars of sustainable development”—economic, environmental, and social, informally referred to as people, planet, and profits.²⁰

It is also expected that over the coming years, impact reporting by companies will improve significantly. Hence, impact ratings will likely start to appear—but unless we see early definitions around industry standards, they might be limited in their usefulness, as they may be susceptible to multiple interpretations.

Post-Paris Agreement – More Alignment of Cross-Border Goals

In 2011, U.N. Secretary-General Ban Ki-Moon challenged the international community on implementation of the SDGs: “Let us develop a new generation of sustainable development goals to pick up where the MDGs leave off. Let us agree on the means to achieve them.”²¹

Since then, cross-border alignment of policy, investor, and corporate initiatives has set the scene for a new paradigm, with an emphasis on development finance, underscored by the Addis Ababa Action Agenda (2015), to finance the SDG Agenda.

These changes are also occurring in the context of climate change mitigation and adaptation strategies that are closely aligned with COP 21/22 and the Paris Agreement, which was adopted in December 2015²² and entered into force on Nov. 4, 2016.²³

Public-private partnerships are increasingly playing a key role in underpinning commercially viable, sustainable, and scalable solutions—often referred to as “blended finance.”²⁴

¹⁹ UNEP, “Positive Impact Finance” (2015), Link: <http://www.unepfi.org/wordpress/wp-content/uploads/2017/04/PositiveImpactManifesto.pdf>.

²⁰ For further references, see Robert W. Kates, Thomas M. Parris, and Anthony A. Leiserowitz, “What is Sustainable Development: Goals, Indicators Values and Practice,” published in *Environment: Science and Policy for Sustainable Development*, Volume 47, Number 3, pages 8–21, (April 2005), Link: https://www.hks.harvard.edu/sustsci/ists/docs/whatisSD_env_kates_0504.pdf

²¹ UNEP, “Progress towards meeting internationally agreed goals. Findings from GEO-5 Draft 2.” Nairobi, (2011), Link: <http://www.unep.org/pdf/RIO20/progress-internationally-agreed-goals.pdf>.

²² UNFCCC, “Adoption of The Paris Agreement,” (2015), Link: <https://unfccc.int/resource/docs/2015/cop21/eng/l09.pdf>.

²³ U.N. Framework Convention on Climate Change, Link: <http://unfccc.int/2860.php>.

²⁴ For an overview on blended finance in the context of SDGs and the potential and challenges of investing in developing countries, see OECD, “Development Co-operation Report - The Sustainable Development Goals as Business Opportunities,” (2016), Link: <http://www.oecd.org/dac/development-co-operation-report-20747721.htm>.

In the context of the SDGs, the alignment of global goals and financing goes even further, as policy-makers and experts from all sectors are discussing ways to finance the 17 SDGs directly through a U.N.-led initiative called the “U.N. SDG Finance Lab” (2017).²⁵

SDG themes and issues that can move the sustainable development agenda forward are being prioritized, including the following:

The dialogue between policy makers and investors is also testament to an ongoing paradigm shift in the new thinking about development and blended finance.

- Combating poverty and inequalities (at work and in society);
- Changing consumption patterns;
- Promoting sustainable cities and human settlement development;
- Conserving biodiversity and forests;
- Protecting the oceans;
- Saving water resources;
- Advancing food security; and
- Promoting energy production (e.g., from renewable sources).

Establishing effective governance systems, institutions, partnerships, and intellectual and financial resources will be key for an effective, efficient, and coherent approach to implementing these goals.

SDGs – Evaluating Corporate and Investor Actions

Corporations are already taking action—and SDG leadership. According to recent industry reports,²⁶ companies can benefit from embracing the SDGs and embedding them in their growth strategies, with a majority of global businesses saying that they are engaging or are planning how to engage with the SDGs, including the following strategies:

- Using the SDGs as a lens through which to view companies’ current environmental or social impact priorities;
- Checking that these are consistent with the global priority areas of focus laid out in the SDG framework;
- Mapping the value chain to identify areas with high likelihood of either negative or positive impacts on SDG-related issues; and
- Using the SDGs as a means of collaborating with partners to solve common problems on a shared-vision and shared-value basis.

²⁵ See e.g. Responsible Investor, “United Nations Convenes SDG Finance Lab to Mobilise Institutional Investment,” (2017), Link: https://www.responsible-investor.com/home/article/united_nations_convenes_sdg_finance_lab/.

²⁶ See e.g. PWC, “Make it your Business: Engaging with the Sustainable Development Goals,” (2015), Link: https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf.

In the context of a more “mixed economy,” in which the dividing line between private and public activities to “make the world a better place” becomes blurred,²⁷ companies are increasingly aiming to create a positive impact on communities and the environment in which they operate.

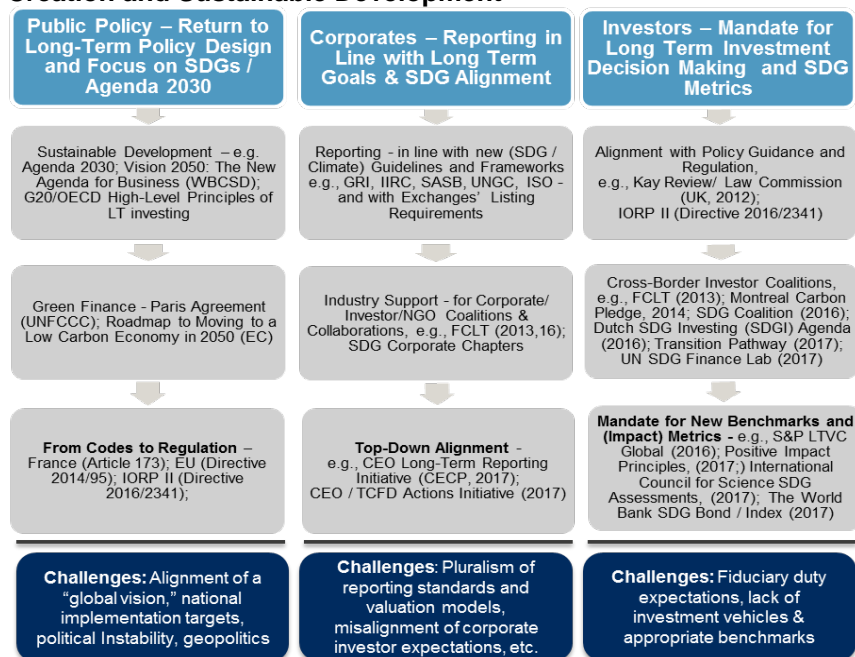
At the same time, they remain focused on generating financial value, according to new research by Harvard Business School and the Generation Foundation (2017).²⁸

Companies can benefit from embracing the SDGs and embedding them in their growth strategies - with a large majority of global businesses saying that they are or are planning how they will engage with the SDGs.

For these companies, “purpose defines a reason for the existence of their business, which goes beyond simply making a profit and can potentially drive customer, employee, and investor choices in the marketplace and act as a key driver for innovation that creates a competitive advantage.”

This shift toward transformational change of “tomorrow’s companies” might also explain why corporate leaders are stepping in and up. They are now challenging policy makers and their peers to take defined actions toward Agenda 2030²⁹ and related initiatives (see Exhibit 2).

Exhibit 2: Alignment of Global Goals in the Context of Long-Term Value Creation and Sustainable Development



Source: S&P Dow Jones Indices LLC. Data from 2017. Chart is provided for illustrative purposes.

²⁷ See e.g. Warwick Business School, “Sustainability and Total Impact just as Crucial as Profit,” (2015), Link: <https://www.wbs.ac.uk/news/sustainability-and-total-impact-just-as-crucial-as-profit> .

²⁸ Harvard Business School, Generation Foundation, KKS Advisors, “The Value of Corporate Purpose: A Guide for CEOs and Entrepreneurs,” (2017), Link: https://static1.squarespace.com/static/5143211de4b038607dd318cb/t/590b108dcd0f6826f9f07f65/1493897392450/The+Value+of+Corporate+Purpose_May+2017.pdf.

²⁹ See global corporate SDG initiatives, e.g., by the U.S. Council for International Business, Link: <http://www.businessfor2030.org/>, or the SDG Charter in the Netherlands, Link: <http://sdgcharter.nl/about-us/>.

Meanwhile, market participants are following suit, and multi-national activities are leading to an ever-increasing convergence of goals across stakeholder groups and sustainable and impact investing approaches.³⁰

Most recently, the Global Impact Investment Network (GIIN)³¹ reported that approximately 60% of 208 respondents (comprising institutional and private investors that currently manage USD 114 billion in impact investing assets) actively track the financial performance of their investments with respect to the SDGs, or plan to do so soon.

In addition, a study by ShareAction (2016)³² found that 95% of institutional investors plan to engage with investee companies about SDG issues. The report includes a number of case studies detailing how investors around the world are undertaking innovative approaches to SDG implementation:

- Using the SDGs as the basis for an ESG analysis framework (Mirova);
- Integrating SDGs into investment analysis (Alliance Trust);
- Focusing on themes such as water (Alliance Trust) or human rights policies within companies' supply chains (Walden AM); and
- Integrating diversity analysis and gender criteria into investment research (Pax World).

Dutch and Nordic market participants are leading the SDG mapping, standardization, and blended finance efforts.

In particular, Dutch and Nordic market participants are leading the SDG mapping, standardization, and blended finance efforts—with a dedicated “SDG Coalition” (launched in 2016), supported in part by six of Sweden’s biggest institutional investors: Alecta, Folksam, Sjunde AP-fonden (AP7), Skandia, Swedish pension insurer SPP, and the Church of Sweden.³³

There is also the “Dutch SDG Investing (SDGI) Agenda” (launched in 2016),³⁴ supported by 18 financial institutions collectively managing over EUR 2.8 trillion in assets, which has identified four key areas of SDG collaboration between the DNB and the Dutch government.³⁵

³⁰ See CSSP AG / SI Partners, “My Impact - Fundamentals of Modern Philanthropy” (2014), Link: <http://www.myimpact.li/>

³¹ GIIN, (2017), “Annual Impact Investor Survey 2017,” Link: https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

³² ShareAction, “Investors can play a central role in achieving the Sustainable Development Goals,” (2016), Link: <https://shareaction.org/press-release/investors-can-play-a-central-role-in-achieving-the-sustainable-development-goals/>

³³ See Responsible Investor, “Sweden’s Biggest Institutional Investors Commit to U.N. SDGs in Investment Approach,” (2016), Link: https://www.responsible-investor.com/home/article/swe_sdg/.

³⁴ IISD, “Dutch Financial Institutions Recommend SDG Investment,” (2017), Link: <http://sdg.iisd.org/news/dutch-financial-institutions-recommend-sdg-investment/>.

³⁵ SDGI Signatories, “Building Highways to SDG Investing - Invitation to collaborate on a Dutch sustainable development Investing Agenda,” (2016), Link: <https://www.aegonassetmanagement.com/contentassets/fb869c0eef9d445dada3fbf5f010a795/sdgi-report-building-highways.pdf>.

These include efforts to:

1. Catalyze significant SDG investment through the systematic deployment of blended finance instruments;
2. Make SDG investment the “new normal” by encouraging and enabling all Dutch retail investors to invest with impact;
3. Establish an enabling SDGI data environment by stimulating the uptake of sustainability indicators and standards; and
4. Identify and address actual and perceived regulatory barriers and incentives to SDG investment.

In this context, Dutch market participants are also looking at innovative approaches in providing investable SDG solutions,³⁶ such as the following.

- Focusing on SDGs “with transformational potential, and where corporates can make a significant difference”—i.e., leading companies that invent new health solutions (SDG #3), boost the transition to renewable energy (SDG #7), or provide breakthrough innovations (SDG #9) and sustainable products and services (SDG #12).
- Measuring how much individual companies contribute to the SDGs, so that a better comparison between company and portfolio contributions can be made.

Most recently, Sweden’s Second AP Fund (AP2) announced that it has invested in a private equity fund that is committed to achieving “measurable, positive social and environmental outcomes” alongside competitive financial returns,³⁷ and Denmark’s state-owned Investment Fund for Developing Countries (IFU) plans to launch a USD 500 million SDG fund in early 2018.³⁸

³⁶ NN Investment Partners, “NN IP sketches roadmap for investing in U.N. Sustainable Development Goals,” (2017), Link: <https://www.nnip.com/corporate/INT/en/Press/News-Commentary/view/NN-IP-sketches-roadmap-for-investing-in-UN-Sustainable-Development-Goals-1.htm>.

³⁷ Anda AP Fonden, ‘The Second AP Fund’s investment contributes towards achieving the UN Sustainable Development Goals’, (2017), Link: <http://www.ap2.se/en/news-reports/news/2017/the-second-ap-funds-investment-contributes-towards-achieving-the-un-sustainable-development-goals/>

³⁸ IFU, ‘Mogens Lykketoft visits IFU to Discuss the SDGs’, (2017), Link: <https://www.ifu.dk/en/news/mogens-lykketoft-visits-ifu-to-discuss-the-sustainable-development-goals/>

Market participants around the world are grasping the interconnectedness of ESG issues, and they have started to look into better understanding mega trends and risks from a backward- and forward-looking perspective.

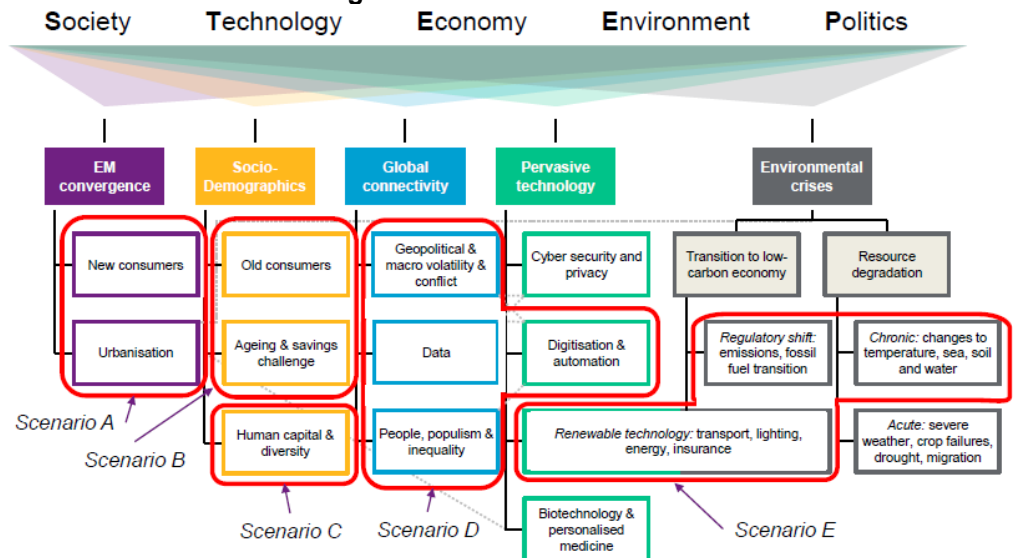
SDGs – Implications for Backward- and Forward-Looking Analyses

Market participants around the world are grasping the interconnectedness of ESG issues, and they have started to look into better understanding mega trends and risks—from a backward- and forward-looking perspective—and how these trends are shaping the future of (thematic) investing.

Recent studies by Credit Suisse³⁹ show that market participants seek to profit from the predictability and sustainability of multi-year trends over a long-term horizon, with an increasing focus on measuring net impact.

Meanwhile, the CFA Institute (2017),⁴⁰ Willis Towers Watson’s Thinking Ahead Institute (2017)—supported by S&P Dow Jones Indices—and the World Economic Forum (2017)⁴¹ put climate change side-by-side with socioeconomic risks such as polarization, growing disparities in income, wellbeing, and living standards, and an aging population as the greatest challenges that the world faces today.

Exhibit 3: From Material Megatrends to Scenarios



Source: Willis Towers Watson Thinking Ahead Institute, Sustainability Working Group - Hodgson, Garcia, Hall, Macpherson et al. Data as of 2017. Chart is provided for illustrative purposes.

Translating these macro trends and connected systemic risks to cost-to-capital or GDP is becoming an integrated part of the investment process of leading market participants that are taking part in the Willis Towers Watson project.

³⁹ Credit Suisse, “Supertrends Shape the Future of Investing,” (2017), Link: <https://www.credit-suisse.com/uk/en/articles/articles/news-and-expertise/2017/05/en/supertrends-shape-the-future-of-investing.html>.

⁴⁰ CFA Institute, “The Future State of the Investment Profession,” (2017), Link: https://www.cfainstitute.org/learning/future/Pages/future_investment_profession.aspx.

⁴¹ World Economic Forum/Zurich, “The Global Risks Report,” (2017), Link: <https://www.weforum.org/reports/the-global-risks-report-2017>.

In 2012, the U.N. Secretary-General's High-level Panel on Global Sustainability called for a sustainable development index or set of indicators to be developed.

THE ROLE INDICES CAN PLAY IN MAKING THE SDGs AN INVESTMENT REALTY

Over the past few decades, multiple efforts have been made to create aggregate, composite, and country-wide reference indices on environmental trends and sustainable development. Among these, the UNDP's Human Development Index (HDI)⁴² has been one of the most widely used benchmarks.

In 2012, the U.N. Secretary-General's High-level Panel on Global Sustainability called for a sustainable development index or set of indicators to be developed. It stipulated that the SDG framework:⁴³

- Be universal in character, covering challenges to all countries rather than just developing nations;
- Express a broadly agreed-upon global strategy for sustainable development;
- Incorporate a range of key areas that were not fully covered in the MDGs, such as food security, water, energy, green jobs, decent work and social inclusion, sustainable consumption and production, sustainable cities, climate change, biodiversity and oceans, and disaster risk reduction and resilience;
- Be comprehensive, reflecting equally the economic, social and environmental dimensions of sustainable development and the interconnections between them;
- Incorporate near-term benchmarks while being long-term in scope, looking ahead to a possible deadline of 2030;
- Engage all stakeholders in implementing and mobilizing resources, including local communities, civil society, the private sector, and governments;
- Include progress metrics alongside absolute targets to focus policy attention as a means of driving development outcomes and to reflect various development priorities and conditions across countries and regions; and
- Provide scope to review these goals in view of evolving scientific evidence.

Following this call, the SDSN Secretariat and the Bertelsmann Stiftung launched “the SDG Index” (2016),⁴⁴ which identifies priorities for early action at the country level for policy makers and businesses to “better

⁴² UNDP, “Human Development Index (HDI),” Link: <http://hdr.undp.org/en/content/human-development-index-hdi>.

⁴³ UNEP, “Status Report on Composite Indices of Environmental Sustainability,” Nairobi, (2012).

⁴⁴ SDSN Secretariat and Bertelsmann Stiftung, “SDG Index & Dashboards,” (2016), Link: http://www.sdqindex.org/assets/files/sdq_index_and_dashboards_compact.pdf.

understand the key implementation challenges” and “identify the gaps that must be closed in order to achieve the SDGs by 2030.”

In 2017, investable indices are also becoming an SDG investment reality. For example, in March 2017, the World Bank raised its first bond linked to the U.N.’s SDGs:⁴⁵

In 2017, investable indices are also becoming an SDG investment reality; in March 2017, the World Bank raised its first bond linked to the U.N.’s SDGs.

- The returns on the EUR 163 million two-tranche issue led by BNP Paribas are linked to a concentrated stock index of 50 companies that have been identified as making a significant contribution to the advancement of the sustainable development agenda.
- The effort was followed by “The 2017 Atlas of Sustainable Development Goals: A new Visual Guide to Data and Development,” which aims to visualize the progress societies are making toward the 17 Goals.⁴⁶

Further SDG thematically- and metrics-linked indices are currently under development by other market participants.

IMPLICATIONS FOR S&P GLOBAL

Accurately pricing sustainability risks and opportunities is a key challenge for debt and equity investors alike, given the often subjective interpretation of ESG issues. Meanwhile, calls for robust, quantifiable and comparable standards in sustainability reporting and financial performance attribution are increasing on a daily basis.

S&P Global aims to provide relative measures of environmental and social impacts, climate resilience, and corporate governance that market participants can use in their own assessment of an asset's long-term value and financial performance.

The rapid pace of SDG adoption speaks to the framework’s potential to become the “lingua franca” that investors and companies need in order to measure the cost of capital differential of more sustainable enterprises.

S&P Global helps capital markets adopt a common language that bridges ESG factors with fundamental risk analyses. Whether it’s leading sustainability benchmarks from S&P Dow Jones Indices, ESG and Green Evaluations from S&P Global Ratings, or sustainability data and analytics from S&P Global Market Intelligence⁴⁷, S&P Global aims to provide relative measures of environmental and social impacts, climate resilience and corporate governance that investors can incorporate into their own assessments of an asset’s long-term value and financial performance in line with the SDGs.

⁴⁵ The World Bank, “World Bank Launches Financial Instrument to Expand Funding for Sustainable Development Goals,” (2017), Link: <http://treasury.worldbank.org/cmd/htm/World-Bank-Launches-Financial-Instrument-to-Expand-Funding-for-Sustainable-Development.html>.

⁴⁶ The World Bank, “The 2017 Atlas of Sustainable Development Goals: A New Visual Guide to Data and Development,” (2017), Link: <https://openknowledge.worldbank.org/bitstream/handle/10986/26306/9781464810800.pdf?sequence=4&isAllowed=y>.

⁴⁷ For further information, please visit www.spglobal.com

CONCLUDING REMARKS

There is still considerable progress to be made in breaking down the 17 SDGs, 169 targets, and 232 indicators into more standardized and, therefore, meaningful metrics for companies and investors to use—underpinned by measurable data.

The alignment across sustainability frameworks is paving the way for a holistic “systems” approach and “universal agenda” as called for in the U.N.’s SDG Synthesis Report (2015)—to bring positive action on all of the 17 SDGs.

However, cross-border alignment of multi-stakeholder initiatives has set the scene for a new paradigm, especially in the context of development finance and the Addis Ababa Action Agenda (2015) to finance the SDG Agenda.

New regulation, such as the EU Directive 2014/95 on “Disclosure of Non-Financial Information and Diversity,”⁴⁸ stock exchanges’ ESG listing requirements, and integrated reporting frameworks are playing a pivotal role in supporting this harmonization effort.

Importantly, impact reporting initiatives and frameworks have started to use the SDGs as a lens—for example, the Global Impact Investing Network (GIIN, 2016),⁴⁹ U.N. Global Compact, WBCSD, and Global Reporting Initiative (2016)⁵⁰ have jointly released SDG-related guidance for businesses. There is also considerable work in the pipeline from the Natural Capital Coalition related to its new protocol.⁵¹

This alignment across sustainability frameworks is paving the way for a holistic “systems” approach and “universal agenda” as called for in the U.N.’s SDG Synthesis Report (2015)⁵²—to bring positive action on all of the 17 SDGs and opportunities for investors and businesses at the board level, as well as within the C-suite and middle management.⁵³

Last but not least, we will not achieve SDG 16 and 17 without leaders across the investment value chain. That makes leadership itself a crucial—and deeply interconnected—element of the 2030 Agenda.

⁴⁸ European Parliament, “Directive 2014/95/EU of the European Parliament and of the Council,” (2014), Link: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095>.

⁴⁹ GIIN, “Global Impact Investing Network launches Sustainable Development Goals Campaign,” (2016), Link: https://www.responsible-investor.com/home/article/giin_sdgs/.

⁵⁰ GRI, UNGC, WBCSD, “The SDG Compass – The Guide for Business Action on the SDGs,” (2016), Link: <https://www.globalreporting.org/resource/library/GSSB-Item-29-SDG-Compass-Meeting5Nov15.pdf>.

⁵¹ Natural Capital Coalition, “Natural Capital Protocol Recognised as Important Tool in Reaching the Sustainable Development Goals,” (2017), Link: <http://naturalcapitalcoalition.org/natural-capital-protocol-recognised-as-important-tool-in-reaching-the-sustainable-development-goals/>.

⁵² U.N., “The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet. Synthesis Report of the Secretary-General On the Post-2015 Agenda,” (2015), Link: <https://thpadvocacy.files.wordpress.com/2014/08/2014-12-sg-synthesis-report-on-sdgs.pdf>

⁵³ See also the recent call for more engagement with middle management on SDG implementation, Sustainable Brands, “Frost & Sullivan and GlobeScan Report on behalf CSR Europe: Lack of Engagement of Middle Management Impeding Progress on SDGs,” (2017), Link: http://www.sustainablebrands.com/news_and_views/organizational_change/sustainable_brands/report_reveals_lack_engagement_middle_manage

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