Sustainable Development Goals: An Overview for Investors

What are the sustainable development goals?

The Sustainable Development Goals (SDGs) were launched in 2015 by the United Nations General Assembly as the next iteration of the Millennium Development Goals (MDGs).

There are 17 Sustainable Development Goals, with a total of 169 targets and 230 indicators. They are a set of interconnected global goals covering social and economic development issues, with the aim of protecting both people and the planet. They have been described as "the closest thing the world has to a strategy."

Why are the SDGs relevant to investors?

Compared to the MDGs, the SDGs have a greater focus on mobilising the private sector. This is based on the need to take a more collaborative systems approach to tackling global issues, rather than expecting that one stakeholder group can affect the necessary change.

The Principles for Responsible Investment (PRI) state that the SDGs are relevant to investors for 5 reasons:

1. They are a globally agreed framework for sustainability.
2. The SDGs tackle macro level risks and issues and are therefore important to 'Universal owners', e.g. large institutional investors with diverse long-term portfolios.
3. The SDGs will drive long-term economic growth.
4. They can be adopted as an ESG risk framework. Many of the SDGs cover ESG issues which are financially material to industries, companies, regions and countries.
5. They can be used as a universal capital allocation guide for investors wanting to achieve positive impact.

Key initiatives publishing SDG information relevant to investors

Principles for Responsible Investment

The PRI have conducted research into why the SDGs are relevant to institutional investors, why there is an expectation that investors will contribute, and the case for why investors should want to. More information is available here.

Global Impact Investing Network

In September 2016 the GIIN launched a campaign to get investors to allocate more capital to the SDGs. In 2018 they published a report 'Financing the Sustainable Development Goals: Impact Investing in Action' to highlight this as well as share 5 case studies of impact investors who are already allocating capital.

Case study: investors adopting the SDGs

Mirova launched an SDG fund in collaboration with the United Nations

In 2017 Mirova launched the 'Land Degradation Neutrality Fund' in collaboration with the United Nations Convention to Combat

Desertification. The fund supports SDG 15 - Life on Land, by providing sustainable forestry and agriculture projects and enterprises with long-term financing that would not be attainable from traditional sources such as commercial lenders.

Most importantly, the fund's due diligence and investment management practices are directly guided by SDG 15. Read more case studies of investors using the SDGs to inform capital allocation here, including Incofin and PGGM.

Relevant research

Materiality and the SDGs
Three leading academics (Betti, Consolandi and Eccles, 2018) conducted research into how ESG outcomes can be linked to impact on the SDGs. They mapped SASB's material issues to the SDGs and created sector impact scores that demonstrate how companies with strong performance on material issues for their sector are contributing to the SDGs. They found that certain SDGs are more impacted by some sectors and overall it will be the success of the Health Care, Consumption and Resource Transformation sectors that will play the biggest role in achieving the SDGs. Through this research, investors can now identify which sectors will contribute to the SDGs the most, and resultantly where to direct capital. Learn more about the research here.

SDGs for SRI Investors
Eurosif conducted research into the most common and useful investment strategies adopted to support the SDGs. While impact investing is often the preferred responsible investing strategy for investors to adopt, Eurosif also cite best-in-class, stewardship & engagement and thematic strategies. More information on each strategy is available here.

Investor resistance to the SDGs

While some investors have embraced the SDGs, others, such as Schroders, state that adopting the SDGs as an investment framework is counterproductive as the goals were not designed to be used as the basis for an investment process. Similarly, in a 2017 response to the PRIs strategic plan, Norges Bank Investment Management stated that although the SDGs are relevant to investors, the PRI should not seek to measure signatory impact on the SDGs due to the complexity of defining standardised and appropriate reporting metrics.

In addition to resistance from some of the investor community, there are other barriers preventing further adoption of the SDGs as an investment framework.

1. SDG investing has been accused of greenwashing. Writers for the Stanford Social Innovation Review argue that many SDG investments only have a tangential link to the goals and while there are investments in companies or activities that do address SDGs, many organisations were already having an impact before the investment was made.
2. It is difficult to identify private financing flows serving the SDGs as they are not consistently monitored and there are significant data gaps. For more information see the UNEP Finance Initiative's report on the SDGs.
3. The availability of consistent, accurate and trustworthy company data is required for investors to measure progress and fully adopt the SDGs. The Global Reporting Initiative discusses this in more detail here.

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