

United Nations Sustainable Development Goals

What are the Sustainable Development Goals (SDGs)?

The SDGs are a universal set of goals, targets and indicators for global development. They serve as a blueprint for significantly changing the world – by ending global poverty, safeguarding the planet and ensuring prosperity for all by 2030. Established by the UN in September 2015, the SDGs were adopted by the international community, including 193 governments.

There are 17 SDGs, and within these goals there are 169 targets and 230 indicators, which seek to realize the human rights of all and achieve gender equality, among other issues. They are integrated, indivisible and balance three primary dimensions of sustainable development: economic, social and environmental. To achieve these goals, it is estimated that it will require investment between \$5-7 trillion each year until 2030. Approximately \$1 trillion comes from public funds from the UN and member countries annually, while private capital must fund the remaining \$4-6 trillion annually.

SUSTAINABLE DEVELOPMENT GOALS



Source: "UN Sustainable Development Goals," published by UN PRI as of November 2017

Why did the UN develop a set of SDGs?

The SDGs expand on the UN's millennium development goals (MDGs), which were agreed by UN member states but expired at the end of 2015. There was widespread agreement that the MDGs were too narrow, with eight goals that failed to mention human rights and address economic development. At the time, some 1 billion people were living on \$1.25 a day – the World Bank measure of poverty – and women were still fighting for their rights.

Furthermore, while they applied in theory to all countries, they were often considered targets for poor countries. Conversely, the SDGs provide a definitive framework for sustainable development, and every country is expected to work towards achieving these goals. The process of establishing the SDGs was extremely inclusive, with governments, businesses, investors, civil society and citizens involved since their inception. This ensured the UN was able to develop a thorough and democratic set of development goals.

Why do SDGs matter to investors?

Governments are introducing regulation and incentives to promote the SDGs, and companies are adopting more sustainable business practices and seeking to innovate to deliver sustainable products and services. For example, French law requires asset owners to disclose how they are assessing carbon risk, while the updated UK Corporate Governance Code, published in September 2016 by the Financial Reporting Council, asks company boards to consider strategy beyond a minimum of 12 months.

Investors must join governments and companies on this journey. Below we explain the importance of SDGs for investors worldwide:

- **SDGs provide a timely chance** to reshape the trajectory of lives globally for the better and create new market opportunities;
- **Integrating SDGs into investment decisions** supports long-term value creation, aligns investors with the broader needs and objectives of society, and benefits the environment as a whole;
- **The SDGs serve as a list of salient ESG factors** that investors should consider as part of their fiduciary duty;
- **Meeting the SDGs will be a primary driver** of future economic growth, thereby providing opportunities for companies to boost revenues and earnings, and therefore the valuations of equities and other assets;
- **The adoption of the SDGs could force** a portion of currently external costs, such as environmental damage and social upheaval, into companies' accounts, which would further integrate ESG risk into corporate balance sheets and provide a clearer risk framework for investors;
- **The clear risk framework provided by the SDGs** helps investors avoid businesses with unsustainable risks, which compromise their long-term revenues;
- **They help investors identify companies** that are embracing sustainability to boost profitability;
- **Investors can implement** investment strategies that target SDG themes and sectors;
- **The SDGs can be aligned with ESG analysis** as they help investors integrate ESG by identifying companies with a material revenue exposure to products and services that assist in overcoming challenges in society, thereby managing risk and improving return;
- **Considering SDGs will not restrict the range of investments available** to investors, as an increasing number of companies are reporting their exposure to SDGs.

Source: "UN Sustainable SDGs," published by UN PRI; "What do the UN Sustainable Development Goals mean for investors?" published by the PRI, UNEP Finance Initiative and UN Global Impact as at December 2016; and "Within investor reach? The UN Sustainable Development Goals," published by Hermes Investment Management April 2017

There is no guarantee that any type of investment approach will be successful.