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The Sustainable Development Goals:

A new tool for putting value on values?

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Presented by:
Responsible Investor &
Thomson Reuters

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The Sustainable Development Goals:
A new tool for putting value on values?

The Sustainable Development Goals (SDGs) are one of the most exciting developments in responsible investment for many years. There is now real momentum amongst investors keen to see how the SDGs can unlock value.

It was with this in mind that Thomson Reuters and Responsible Investor convened a high-level webinar in November 2017.

Expert speakers included:

- **Xander den Uyl,** Board of Trustees, ABP and Board Member, Principles for Responsible Investment
- **Christopher Greenwald,** Executive Director, Sustainable and Impact Investing, UBS Asset Management
- **Carly Greenberg,** Senior ESG Analyst, Walden Asset Management
- **Tim Nixon,** Head of Sustainability, Thomson Reuters

Moderated by Daniel Brooksbank, Editor at Responsible Investor, this webinar is presented in partnership with Thomson Reuters

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Board of Trustees
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Christopher Greenwald
Executive Director, Sustainable and Impact Investing
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Carly Greenberg
Senior ESG Analyst
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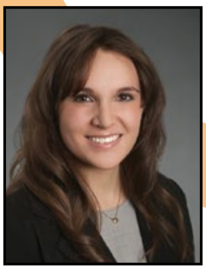

Tim Nixon
Head of Sustainability
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Kicking off the session was Xander den Uyl, who has a unique perspective: he is not only a trustee at Dutch pension giant ABP – which has emerged as one of the leading SDG investor voices, but he's also on the board at the Principles for Responsible Investment (PRI), the UN-backed initiative that has developed an investment case for the SDGs. So den Uyl was perfectly placed to set the scene.

He said the UN's 2030 Agenda sets out around $90trn in required investments over the next decade or so. They will roughly comprise $15trn of public funding and $75trn of private capital, with den Uyl saying: "It's an enormous agenda!"

The PRI's SDG investment case looks at both macro and micro risks and opportunities, he explained. On the macro side there is the risk that failure to achieve the SDGs will ultimately create financial risk. This is balanced by the opportunity that achieving the SDGs will be a "key driver of economic growth" – seen as "the main ultimate structural source of financial return".

Micro risks were identified as being regulatory, ethical and operational risks. This is countered by companies moving towards more sustainable business practices.

Den Uyl then detailed the work of ABP. In 2015 it introduced a new investment policy which included several SDG-aligned goals to be included by 2020. ABP calls them Sustainable Development Investments and is looking to double its exposure to them to €58bn. He said: "You have to find a way to be able to decide how you can invest in the SDGs, or see how you can translate the 17 goals into investible cases."

On top of this, ABP has – with fellow Dutch giant PGGM – developed a 'taxonomy' of potential SDG investments. For example SDG11 (sustainable cities and communities) breaks down into sub-topics like housing and transport and then into further categories.
What about the UN's push to 'shift the trillions' – how realistic was that goal? Den Uyl said: "Of course it needs a transformation in thinking. But we all have to support this world to make it liveable for everyone on the planet. But in the end, our investments have an effect on individual companies, they have an effect on the markets and they have an effect on this planet that we share."

Next up was UBS's Christopher Greenwald, who focused on measuring companies' actual impacts.

Greenwald noted that interest in the SDGs is explained by two factors. Firstly, the SDGs are "clear demand drivers" to meet the world's sustainability challenges.

"Therefore the companies whose strategies are oriented around the SDGs will experience a long-term competitive advantage versus their industry and sector peers."

Secondly, the SDGs have focused attention on the wider impact of companies on the environment and society.

However, most corporate sustainability disclosure is oriented around the internal performance of companies, rather than their external impacts. So establishing new metrics to monitor companies' external impact is a "foundational task" to create a solid basis for SDG investment.

He described a case study where UBS, for a large institutional client, helped to develop corporate external impact data "objectively and scientifically". This was because corporate disclosure on the SDGs tends to be anecdotal and "more focused on marketing" than "generating objective metrics that can be used in a sound investment process".

An example was pharmaceuticals – where an investor might want a comprehensive view of a company's overall impact on public health. Another key factor, Greenwald said, was investor/corporate engagement on the goals, which should be "part and parcel" of the investment process and not an add-on after the fact.

This point was taken up by Walden's Carly Greenberg, who agreed that the SDGs are a "crucial call to action for investors".

For Greenberg, every SDG was relevant. For example, she said, SDG3 (Good health and well-being) "represents a material opportunity/risk for companies in the healthcare industry" – building on Greenwald's point about the pharma sector. **"All else being equal, we believe that companies that are in line with the goals will be more sustainable investments, long term, relative to companies that are antithetical to the goals."**

Walden now maps its engagement on four SDGs and six sub-targets. But it was too early to say there's a sense that the SDGs are a 'common language' between investors and companies. Engagement with a company still focuses on the business case, and not specific SDGs. But, Greenberg said: "It is early days and we'll see if things change in the future."

The session was rounded out by Tim Nixon of Thomson Reuters, who presented the results of the Global 250 Greenhouse Gas Emitters – A New Business Logic report.

Nixon said it reveals a "very systemically important group" of companies. The 250 together represent one third of global emissions – and the top 15 represent 10% of global annual emissions.
But his key point was that if you dig into the list you do not find uniform performance on climate. He said: "About a third of the global 250 - carbon giants, all of them – are actually reducing their emissions in line with guidance (roughly 3% a year from a 2017 benchmark)."
But are the firms that are decarbonising being penalised financially?

"Our analysis indicates," Nixon said, "that there is no correlation between a financial penalty and decarbonisation in line with scientific guidance."

There was instead an "emerging economic advantage" for some firms such as Ingersoll Rand, Total, Enel and Iberdrola. As companies decarbonise they are "positioning themselves for significant growth opportunities". France's Total is decarbonising at well over 3% per year, diversifying its business model and has a coherent climate strategy out to 2050 – while outperforming its peers. Nixon made the point that it's important not to lump all large emitters together as one: "Some of them are delivering important real-world positive impacts."

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