

# TRANSFORMING OUR WORLD THROUGH INVESTMENT



An introductory study of institutional investors' role in  
supporting the Sustainable Development Goals

March 2016

# About ShareAction

ShareAction is a UK registered charity that exists to promote an investment system which serves savers, society and the environment. In particular, we work to encourage institutional investors to be active owners of listed companies, and to integrate long-term environmental, social and governance (ESG) risks into investment analysis and shareholder engagement. By integrating these factors into their analysis, and considering their long-term impacts, we believe investors can enhance their own returns whilst providing benefits to wider society. In addition, we argue that pension funds' fiduciary duties to act in the best interests of fund members should require attention not only to ESG factors that may impact the financial performance of a fund's investments, but also to the impacts of a fund's investments on beneficiaries' quality of life now and in the future. ShareAction works with actors across the investment system, including individuals, institutional investors and policy makers, to promote Responsible Investment by institutional investors in global capital markets.

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# Executive Summary

The purpose of this study is to examine how institutional investors across the world are beginning to interact with the Sustainable Development Goals (SDGs), and paint an early picture of investors' current and future plans to engage with these Goals. The study also identifies barriers investors face to supporting the Sustainable Development Goals, and provides recommendations for how these could be overcome.

The 17 Sustainable Development Goals, also known as the Global Goals, are outlined in the UN document *Transforming Our World: the 2030 Agenda for Sustainable Development*<sup>1</sup>, and were adopted by 193 countries at the UN Sustainable Development Summit in September 2015. The Goals cover a wide range of social, environmental and economic targets for global sustainable development and tackle some of the most serious issues facing people and the planet.

The findings of this report are based on responses to a survey received from institutional investors across the globe, with US\$5.9trillion in total assets under management, and on interviews with other stakeholders. The key conclusions drawn from the research are listed below:

- 58% of the investors which completed the survey state that senior leadership at their organisation are aware of the Goals. 56% of respondents say that senior leadership see the Goals as relevant to their whole organisation, and 44% say that senior leadership see the Goals as relevant to their investment arm.

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“ 62% of respondents believe that acting on the Goals ‘can create opportunities for increased investment returns’ ”

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- 65% of respondents agree that acting on the Goals ‘aligns with their fiduciary duties’, and 75% believe that acting to support the Global Goals will bring their organisation reputational benefits. 62% of respondents believe that acting on the Goals ‘can create opportunities for increased investment returns’ and 44% agree that ‘weak progress towards the Global Goals represents a material risk for our organisation’.
- More than half of the respondents identified working toward achieving all 17 Goals as having either high or medium potential to help meet their organisations’ investment objectives. Goal 9 (‘Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation’) was ranked as having the highest potential, followed jointly by Goal 8 (‘Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’) and Goal 13 (‘Take urgent action to combat climate change and its impacts’).
- 75% of respondents are already taking action on three or more of the Goals, although not all are framing these activities in the language of the SDG framework. The top three Global Goals investors are currently taking action on are Goals 13 (‘Take urgent action to combat climate change and its impacts’), 5 (‘Achieve gender equality and empower all women and girls’) and 7 (‘Ensure access to affordable, reliable, sustainable and modern energy for all’). The Goals which are likely to see a significant increase in action in the next 15 years are Goals 4 (‘Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all’), 11 (‘Make cities and human settlements inclusive, safe, resilient and sustainable’), and 16 (‘Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels’).
- 67% of respondents report that they are potentially prepared to seek clients’ and/or beneficiaries’ views on the Global Goals, although only 16% will ‘definitely’ do so. 89% of respondents are prepared to report on their impacts on the Goals to clients and/or beneficiaries, although at present only 21% will definitely do so.
- Nearly two thirds of respondents are already working with civil society and policy makers on environmental, social and governance (ESG) issues relevant to the Goals, and many of those who are not would be willing to do so. However, two thirds of respondents are not aware of their governments’ response to the Goals and investors feel they lack mechanisms for communicating with governments.

<sup>1</sup> United Nations (2015) *Transforming our world: the 2030 Agenda for Sustainable Development* A/RES/70/1 <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication>



- The main barriers to investors focusing on the Goals are lack of data showing the relevance of the Goals to investors (cited as a barrier by 66% of respondents), the wide ranging nature of the SDG framework (cited by 57%) and insufficient investee company transparency on ESG issues (cited by 55%).
- Investors reported that overcoming these barriers would be helped by:
  - Increasing the relevance of the Goals to investors, through more evidence demonstrating the advantages of taking action on the Goals, examples of actions investors can take, and linkages with other sustainability initiatives
  - Action by regulators, such as providing incentives or legislating for better company reporting
  - More transparent and consistent reporting by companies on ESG issues
  - Increased capacity to take action, through greater commitment to supporting the Goals from senior leadership teams at investment organisations
  - Increased demand for action around the Goals from clients and beneficiaries
  - Support for acting on the Goals from others in the investment chain, such as sell-side organisations
  - Rewarding those acting with a long-term perspective

Based on this analysis we recommend that investors and investor organisations facilitate action to support the Goals in a variety of ways. These include:

- Creating and sharing tools which allow investors to identify synergies between the Goals and their investment objectives.
- Publishing evidence which demonstrates the impact of taking action around the Global Goals on investment returns.
- Working with other actors to encourage companies to disclose more and better data about their environmental and social impacts.
- Integrating investors' reporting about their contribution to the Goals with other reporting frameworks, and sharing examples of how investors can report on their contribution to the Goals outside of existing reporting frameworks.
- Raising awareness of the Goals throughout the investment chain, through asking relevant service providers to take action on the Goals.
- Seeking clients' and beneficiaries' views about the Goals and reporting to them on actions taken.
- Working in partnership with the broader stakeholder community to advance the Goals by sharing knowledge and resources, and coordinating action.

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# Introduction

The Sustainable Development Goals, also known as the Global Goals, were launched in September 2015 at the UN Sustainable Development Summit. The 17 Goals (see page 5) cover a wide range of social, environmental and economic targets for global sustainable development and tackle some of the most serious issues facing people and the planet. These Goals aim to end poverty, foster peaceful, just and inclusive societies, ensure that all human beings enjoy prosperous and fulfilling lives, and protect the planet for current and future generations. There is a role for everyone to play in achieving the Goals, including governments, civil society and the private sector, and each actor's contribution will be crucial if the Goals are to be achieved.

*Transforming Our World: the 2030 Agenda for Sustainable Development*<sup>2</sup> acknowledges that action by non-state actors, particularly those with significant resources and an ability to focus on the medium and longer-term, will be critical to meeting the Goals. Globally, an estimated \$36 trillion of assets are owned by pension funds with fiduciary duties to act in the best interests of their millions of beneficiaries<sup>3</sup>. The Global Goals are democratically decided and intended to enhance the prosperity, security and well-being of these beneficiaries. This alone provides a clear motivation and justification for pension funds to support the Goals in an active way. For foundations, acting on these Goals, which are intended to improve the well-being of people in both developing and developed countries, can help further their mission objectives. Progress towards the Global Goals could also contribute to conditions for strong and stable portfolio returns, which provides further motivation for all investors to support the Goals. Some might argue that encouraging private sector actors to advance the Goals risks their actions becoming primarily focussed towards benefitting private sector interests, rather than lifting the poorest people out of poverty, which the Goals are intended for. However, we believe that the private sector contribution is crucial to achieving these Goals, and that there is scope for mutual gain without the focus being shifted from benefitting those most in need.

In October 2015 we sent a questionnaire to 500 institutional investor signatories to the UN-supported Principles for Responsible Investment<sup>4</sup> in all the regions of the world. We also arranged interviews with 12 organisations working on investors' contribution to sustainable development, including investment consultants, service providers and civil society groups. The aim of this research is to generate an early snapshot of attitudes towards the Goals amongst influential players in the capital markets. The research also explores the main barriers to investor action around the Goals and provides recommendations about how these can be overcome.

Our report confirms that investors with a broad range of mandates see the Goals as relevant to their organisation and believe that contributing to them will serve to enhance returns, mitigate risk, strengthen their reputation and help achieve their investment objectives. Many of the investors which responded are already contributing to the Global Goals through their current investment decisions and engagement activities. However, investors also need guidance and support to help them work towards the Goals over the next 15 years. If this is provided we should see many of the world's largest investors deploying their capital and using their shareholder rights in ways that accelerate progress towards these vitally important Global Goals.

2 United Nations (2015) *Transforming our world: the 2030 Agenda for Sustainable Development* A/RES/70/1 <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication>

3 Towers Watson (2015) *Global Pensions Asset Study – 2015* <https://www.towerswatson.com/en-GB/Insights/IC-Types/Survey-Research-Results/2015/02/Global-Pensions-Asset-Study-2015>

4 The Principles for Responsible Investment is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. Launched by former UN Secretary-General Kofi Annan, the PRI is a set of voluntary best practice principles to assist investors in integrating environmental, social and corporate governance issues into investment processes and ownership practices. See [www.unpri.org](http://www.unpri.org).



# What are the Sustainable Development Goals?

The Sustainable Development Goals were ratified in September 2015 by 193 governments at the United Nations Development Summit. Applicable in both developing and developed countries, the 17 Goals provide a comprehensive framework for sustainable global development until 2030. They address a variety of social,

environmental and economic issues and endeavour to mobilise actors around a common set of objectives. Each Goal is accompanied by underlying targets, and a framework of indicators to monitor progress towards the Goals is currently being put together. The Sustainable Development Goals are listed below.

| The Sustainable Development Goals |  |
|-----------------------------------|--|
| Goal 1:                           | End poverty in all its forms everywhere  |
| Goal 2:                           | End hunger, achieve food security and improved nutrition and promote sustainable agriculture   |
| Goal 3:                           | Ensure healthy lives and promote well-being for all at all ages  |
| Goal 4:                           | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all   |
| Goal 5:                           | Achieve gender equality and empower all women and girls  |
| Goal 6:                           | Ensure availability and sustainable management of water and sanitation for all   |
| Goal 7:                           | Ensure access to affordable, reliable, sustainable and modern energy for all   |
| Goal 8:                           | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all   |
| Goal 9:                           | Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation  |
| Goal 10:                          | Reduce inequality within and among countries   |
| Goal 11:                          | Make cities and human settlements inclusive, safe, resilient and sustainable   |
| Goal 12:                          | Ensure sustainable production and consumption patterns   |
| Goal 13:                          | Take urgent action to combat climate change and its impacts  |
| Goal 14:                          | Conserve and sustainably use the oceans, seas and marine resources for sustainable development   |
| Goal 15:                          | Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss |
| Goal 16:                          | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            |
| Goal 17:                          | Strengthen the means of implementation and revitalize the global partnership for sustainable development   |

# Research Context

The findings of this report are primarily based on a survey (see Appendix 2) sent out to 500 institutional investors around the world who are signatories to the Principles for Responsible Investment. A total of 64 responses were received, 12 of which were incomplete and therefore deleted from the final analysis, so findings are based on a total of 52 responses. The response rate was 12.8%, with just over 10% completed responses. 39% of respondents identified themselves as asset owners, and 61% as asset managers. The geographical spread of respondents was broad, covering investors from Australia, Brazil, Canada, Denmark, Finland, France, Germany, Japan, the Netherlands, Norway, Sweden, the UK and the USA. Respondents have US\$5.9trillion in total assets under management. As the group of investors which completed the survey is self-selecting, their views are not representative of the whole investment community. However, the responses provide an insight into current and future investor initiatives, focusing on the attitudes and plans of those investors who are likely to take a lead in addressing the Goals in the coming years.

As well as the survey, twelve interviews were conducted with service providers, investors and civil society organisations to substantiate the survey results and elicit more detail on the current state of investors' awareness and action around the Global Goals.

The results of the study are grouped in six main sections; investors' awareness and perception of the Goals, current and future plans for action, communication with clients and beneficiaries about the Goals, collaboration with government and civil society, barriers to investors focusing on the Goals, and ways to overcome these barriers. Case studies of investor initiatives linked to the Global Goals are provided throughout the text. Some preliminary recommendations for action by investors, investor organisations and other stakeholders are proposed at the end of the report.



Photo credit: Creative Commons (2016)



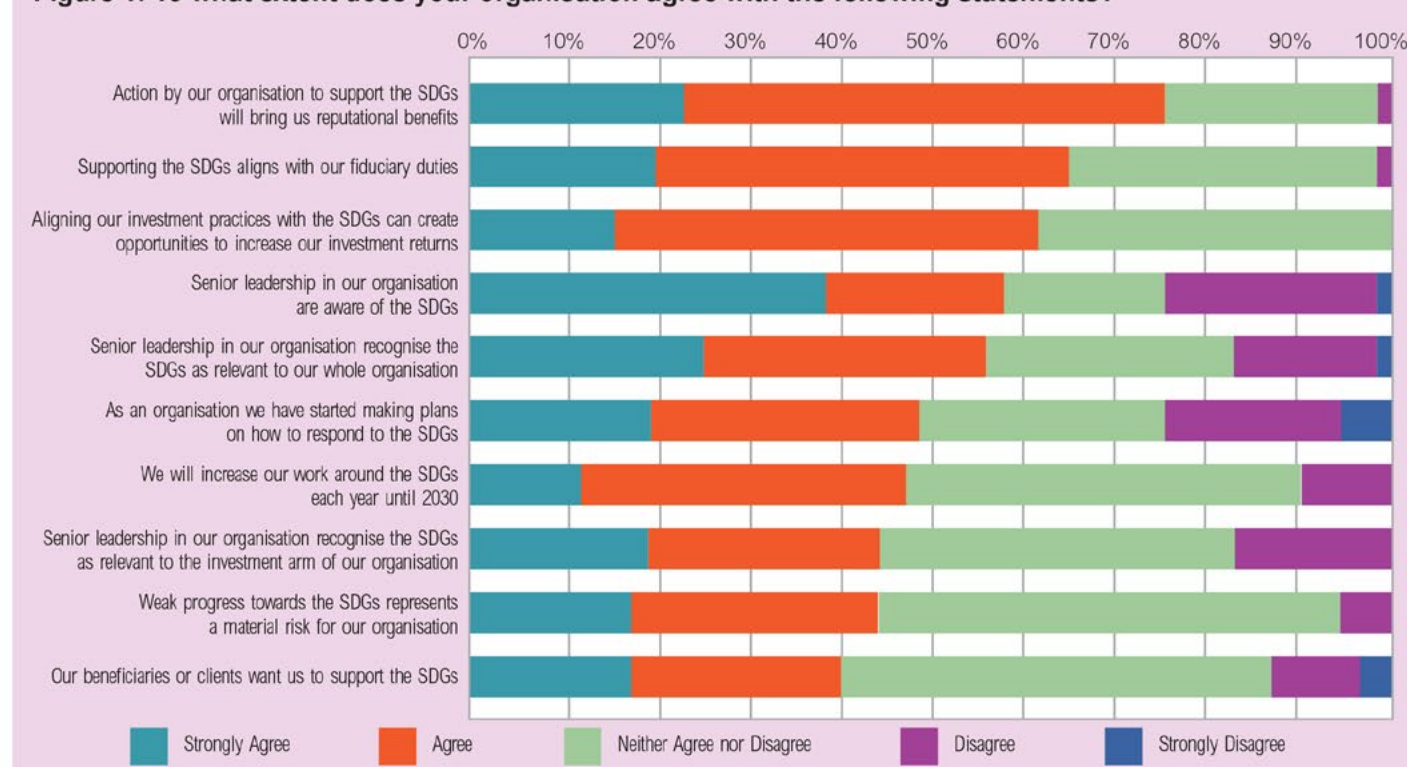
# Section 1

## Awareness and perception of the Sustainable Development Goals

In order to determine investors' attitudes to the Global Goals, we asked respondents whether they 'strongly agree', 'agree', 'neither agree nor disagree', 'disagree' or 'strongly disagree' with a number of statements covering awareness of the Goals amongst senior leadership, whether the Goals

are recognised as relevant to the whole organisation, including its investment arm, as well as the respondents' views on the relationship between supporting the Goals and their fiduciary duties, investment returns, material risk, and reputation. Figure 1 shows how investors responded:

**Figure 1: To what extent does your organisation agree with the following statements?**



### **Investors are aware of the Global Goals and see them as relevant to their organisations**

Over half of respondents (58%) believe (indicated by ticking 'strongly agree' and 'agree') that their senior leadership is aware of the Global Goals and 56% say that senior leadership recognise the relevance of the Goals to the whole organisation. Slightly less (44%) believe that senior leadership recognise the Global Goals as particularly relevant to the investment arm of their organisation (52% of investment manager respondents and 33% of asset owner respondents). Results indicate that among investors where senior leadership are believed to be aware of the Global Goals, there is also recognition of their impact on the whole organisation, indicating that if more leaders were aware of the Goals there may be a higher percentage of leaders who consider them relevant to their organisation.

### **Investors believe that supporting the Global Goals is consistent with their fiduciary duties and higher investment returns**

The majority of respondents (65%) say that supporting the Goals aligns with their fiduciary duties and only one of the 51 respondents who completed this question disagrees with this statement. Similarly, 62% of respondents believe that aligning their investment practices with the Global Goals can create opportunities for increasing their investment returns, and no respondent disagrees with this, although the remaining 38% say they 'neither agree nor disagree'.

“ 62% of respondents believe that aligning their investment practices with the Global Goals can create opportunities for increasing their investment returns ”

There is evidence that supporting specific Global Goals can offer investors opportunities to enhance their returns or expand their investment opportunities. Boxes 1 and 2 provide examples of this.

#### Box 1: The material impact of addressing Goal 5 'Achieve gender equality and empower all women and girls'

A 2015 report by consultancy firm McKinsey<sup>5</sup> estimates that fully closing the gender gap in work would add as much as 26% (or \$28 trillion) to global gross domestic product (GDP) by 2025, compared to a business-as-usual scenario. Even taking a less ambitious approach, achieving 'best-in-region' rates of progress would add \$12 trillion to global GDP by 2025.

Similarly, a 2013 Harvard University study<sup>6</sup> found that the return on equity of firms with greater gender diversity (at least three women directors) was almost twice as large as companies without a critical mass of women directors. Furthermore, the net profit margins of such companies were almost three times larger compared to their counterparts. This can be linked to a number of factors; for example the study concluded that boards with at least three women were approximately twice as likely to take the initiative to request further information in comparison to boards that lacked such diversity.

#### Box 2: Investment opportunities linked to the SDGs

The recent UBS report, *In Challenge Lies Opportunity: Investing for Sustainable Development*<sup>7</sup>, outlines how many of the Sustainable Development Goals present investment opportunities. The table below has been adapted from the report:

| Long-term investment theme     | Associated SDGs | Investment opportunity  | Rationale  |
|--------------------------------|-----------------|---|--|
| Energy efficiency              | 7, 12, 13       | Building systems, industrial processes, transportation infrastructure, technology/software        | According to the International Energy Agency demand for energy-efficient products will grow by around 7% to 8% annually.                           |
| Waste management and recycling | 6, 12           | Waste management (particularly emerging markets exposure)   | The total waste market is valued at \$1.2trillion per year and it is likely to reach \$2trillion by 2020.  |
| Clean air and carbon reduction | 3, 11, 13       | Renewable energy, energy storage, clean fuel, emission control technology, carbon capture/storage | The International Energy Agency projects that \$35.8trillion will be cumulatively invested in clean air solutions by 2030 as a base-case scenario. |
| Emerging market healthcare     | 3, 10           | Healthcare providers active in emerging markets   | Growth in emerging market healthcare is expected to outpace the global healthcare average over the long-term.                                      |

Source: UBS (2015)

5 McKinsey and Company (2015) *The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth*, [http://www.mckinsey.com/insights/growth/how\\_advancing\\_womens\\_equality\\_can\\_add\\_12\\_trillion\\_to\\_global\\_growth](http://www.mckinsey.com/insights/growth/how_advancing_womens_equality_can_add_12_trillion_to_global_growth)

6 Schwartz-Ziv, M. (2013) *Does the Gender of Directors Matter?* Harvard University - Edmond J. Safra Center for Ethics, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1868033](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1868033)

7 UBS (2015) *In challenge lies opportunity: investing for sustainable development* [https://www.ubs.com/global/en/wealth\\_management/chief-investment-office/investment-views/sustainable-investing.html?campID=INTERNAL-HPPROMOTEASER-global\\_sustainable\\_investing-en](https://www.ubs.com/global/en/wealth_management/chief-investment-office/investment-views/sustainable-investing.html?campID=INTERNAL-HPPROMOTEASER-global_sustainable_investing-en)



**Investors believe that weak progress towards the Sustainable Development Goals can represent a material risk**

Our survey aimed to determine whether investors see a link between risk for their organisations and the Global Goals. 44% of respondents agree that 'weak progress toward the Sustainable Development Goals represents a material risk for our organisation', whilst 50% 'neither

agree nor disagree', with only 6% disagreeing (all investment managers). The case for material financial risk related to several of the Global Goals has been made by others; for example the Governor of the Bank of England in relation to climate change, and the World Economic Forum recognising water availability as its top global risk in 2015 (See box 3).

**Box 3: Material risk associated with weak progress towards Goal 6 and Goal 13**

**Goal 6: Ensure availability and sustainable management of water and sanitation for all**

In 2015 the World Economic Forum labelled water availability as its 'top global risk'<sup>8</sup> in terms of impact, and there are numerous examples of how escalating global water risks are having a material financial impact on companies and their investors. For instance, Coca-Cola suspended bottling operations and expansion plans in India due to concerns over excessive groundwater use. Similarly, Newmont Mining lost a licence to operate in Peru due to community water concerns and suspended a \$4.8billion expansion project. Taking action to achieve Goal 6, and in particular Target 6.4 ('Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater'), will help manage these problems<sup>9</sup>.

**Goal 13: Take urgent action to combat climate change and its impacts**

In a 2015 speech<sup>10</sup> Bank of England governor Mark Carney argued that climate change brings profound implications for insurers, financial stability and the economy as a whole. He cited data showing that, since the 1980s, the number of weather-related loss events has tripled and insurance losses have increased from an average of \$10billion in the 1980s to an average of \$50billion over the past decade. Similarly, the *Stern Review on the Economics of Climate Change*<sup>11</sup>, commissioned by the UK government and released in 2006, reveals that existing models that include the risk of large-scale climate change estimate an average 5-10% loss in global GDP, with even greater impact on developing countries which are expected to suffer costs in excess of 10% of GDP. In the UK, annual flood losses could increase from 0.1% of GDP to 0.2 – 0.4% of GDP if global average temperature increase reaches 3° to 4°C and, in the US, a 5 or 10% increase in hurricane wind speed is predicted to double annual damage costs.

**Investors believe that taking action to support the Global Goals will bring their organisation reputational benefits**

The survey results reveal that 75% of the investors who responded believe that taking action to support the Sustainable Development Goals will bring their organisations reputational benefits. Investors' good reputation could be an asset in a number of different ways. For example, it could facilitate investment organisations to

attract talented staff. A recent report by KPMG<sup>12</sup> argues that skills shortages are likely to increase as a result of globalisation and competitive pressures across industries. There is evidence that potential employees are concerned by companies' reputation, particularly around its social and environmental activities, so good reputation could be a competitive advantage in terms of attracting and retaining staff. Good reputation may also help investors attract more clients.

8 World Economic Forum (2015) *Global Risks 2015 – 10th Edition* World Economic Forum, Geneva

9 Ceres (2015) *An Investor Handbook for Water Risk Integration: Practices and Ideas Shared by 35 Global Investors*, <http://www.ceres.org/resources/reports/an-investor-handbook-for-water-integration>

10 Carney, M. (2015) 'Breaking the tragedy of the horizon – climate change and financial stability – speech by Mark Carney' <http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx>

11 Stern, N. (2006) *The Economics of Climate Change: The Stern Review* Cambridge University Press, Cambridge [http://webarchive.nationalarchives.gov.uk/20080910140413/http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/stern\\_review\\_report.cfm](http://webarchive.nationalarchives.gov.uk/20080910140413/http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm)

12 KPMG (2014) *War for Talent – Time to Change Direction: Key Findings from KPMG's HR Centre of Excellence Survey* <https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/war-for-talent/Documents/war-for-talent.pdf>

***Investors believe that working toward achieving the Goals has potential to help meet their investment objectives***

We asked investors whether they believe that working toward achieving each of the 17 Goals has 'high potential', 'medium potential' or 'low potential' to help

meet their organisation's investment objectives. We then calculated the weighted average from the responses for each Goal and ranked all the Goals, beginning with those that are believed to have the highest potential to meet investment objectives according to survey respondents. The results are shown in Table 1.

**Table 1: Ranking of Goals according to investors' belief that taking action will help meet their investment objectives**

| Rank | Sustainable Development Goal   | Weighted Average |
|------|--|------------------|
| 1    | Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation  | 2.73             |
| 2    | Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all   | 2.63             |
| 2    | Goal 13: Take urgent action to tackle climate change and its impacts   | 2.63             |
| 3    | Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all   | 2.53             |
| 4    | Goal 4: Ensure inclusive and equitable education and promote lifelong learning opportunities for all   | 2.39             |
| 5    | Goal 3: Ensure healthy lives and promote well-being for all at all ages  | 2.35             |
| 5    | Goal 12: Ensure sustainable production and consumption patterns  | 2.35             |
| 6    | Goal 5: Achieve gender equality and empower all women and girls  | 2.33             |
| 6    | Goal 15: Protect restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | 2.33             |
| 7    | Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels           | 2.31             |
| 8    | Goal 6: Ensure availability and sustainable management of water and sanitation for all   | 2.29             |
| 9    | Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture   | 2.20             |
| 10   | Goal 10: Reduce inequality within and among countries  | 2.16             |
| 11   | Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable  | 2.12             |
| 12   | Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development  | 2.10             |
| 13   | Goal 1: End poverty in all its forms everywhere  | 2.08             |
| 14   | Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development  | 2.02             |



The results show that working toward achieving Goal 9 ('Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation') is seen by respondents as having the greatest potential to help meet their organisations' investment objectives, and 76% believe it has 'high' potential to do so. Goals 8 ('Promote sustained, inclusive and sustainable economic growth, full and productive employment for all') and 13 ('Take urgent action to combat climate change and its impacts') are ranked as joint second, with 67% of respondents believing that working towards them has 'high' potential to meet their investment objectives. Goal 7 ('Ensure access to affordable, reliable, sustainable and modern energy for all') was ranked third, and 61% of respondents believe that working toward it has 'high' potential to meet their investment objectives. Over half of respondents identified working toward achieving all 17 Goals as having either high or medium potential to help meet their organisations' investment objectives.

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“ Working toward achieving Goal 9 ('Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation') is identified as having the greatest potential to help meet investors' investment objectives. ”

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***The SDG framework can provide useful targets and a common language for communication. However, the SDG framework is generally considered too broad to use without some revision.***

The survey and interview data indicate that the investors who took part in the study consider the SDG framework to be useful to them in many ways. A number of interviewees suggested that the framework provides useful targets against which investors can assess their sustainability plans and measure their engagements with businesses. One interviewee commented "The SDG framework will be particularly useful for investors encouraging companies to work in line with country targets, and it will provide a useful benchmark for investor stewardship." Respondents also said that the framework can help investors engage with investee companies about sustainability issues as many

companies are beginning to think about their activities in relation to the Goals. Interviewees also stated that the SDG framework is useful because it recognises interconnectedness between issues, allowing investors to bring these together when engaging with businesses.

Interviewees also felt that the SDG framework provides a democratically decided, and globally approved, guide to people's priorities for the future, and can therefore help investors fulfil their fiduciary duty to act in beneficiaries' best interests. One respondent commented "Each investor has its own priorities, but having a framework which is closest to a democratic view of what society wishes its future to be is something very powerful". Furthermore, respondents commented that the SDG framework allows them to better communicate with beneficiaries about sustainability, because it is more accessible to a wider audience than the traditional 'ESG' framing. Similarly, asset owners felt that the SDG framework allows their trustees, who are not necessarily investment experts, to better understand and engage with sustainability issues. That said, a number of survey respondents commented that they would not be communicating with clients and beneficiaries about the Goals, as they did not believe that clients and beneficiaries would know what the Goals were, showing that the SDG framework will not be useful for all investors when communicating about sustainability.

Respondents also commented that the Global Goals have the potential to increase the profile of Responsible Investment. An investment manager with a particular focus on Responsible Investment commented "We see the SDGs as a way for us to connect what we have been doing so far to a message that resonates globally, and demonstrate the value in the approach that we and other responsible investors are taking."

However, both interviewees and survey respondents also expressed doubts about the usefulness of the SDG framework. Respondents commented that the exhaustively comprehensive nature of the framework, which covers a wide range of development issues, can make it difficult for investors and companies to utilise it. These respondents



felt that investors would have to choose to focus on just a few of the Goals, and one service provider commented that smaller investors in particular would have to choose the Goals and targets most in line with their priorities. A couple of respondents also felt unsure about how to approach the SDG framework (for example, whether by sector or theme) and didn't feel that it contained enough detail on targets relevant for investors. Many respondents commented that there are already a number of different initiatives for investors and companies to respond to, so it risks becoming "just another reporting framework" in an

already crowded space, unless it is integrated with existing initiatives. One respondent said "The SDG framework seems redundant, overall. Where there are relevant issues (ie. climate change etc.) the institutional field is very crowded. I feel another reporting framework based specifically on the SDGs is unhelpful and its Goals can be incorporated into existing reporting frameworks." Whilst a number of respondents commented that they wished to support the Goals, they did not see how they could match the framework to investment risk, which is what they base investment decisions on.



Photo credit: Di Jiang (2013)



# Section 2

## Action around the Sustainable Development Goals

Although governments are primarily responsible for implementing the Sustainable Development Goals, their successful achievement requires action by a range of stakeholders, including the private sector. So far, most emphasis has been placed on the role of companies in supporting the Global Goals and a recent survey by PwC<sup>13</sup> showed that 71% of multinational companies which took part are already planning how to respond to the Global Goals. However, although the role of investors in contributing to the Sustainable Development Goals has been less explored so far, the Global Goals appear to be highly relevant to investors and their objectives. The 2015 report *Private Sector Investment and Sustainable Development*<sup>14</sup> argues that companies and institutional investors need to be an integral part of the design and implementation of a financing strategy for global sustainability. The report suggests that institutional investors can have an impact on sustainability issues through the projects and companies in which they invest, by providing capital and engaging with investee companies. Research by Inflection Point Capital Management<sup>15</sup> also proposes that investors can contribute to economic growth and poverty alleviation in least developed countries (LDCs) by helping to develop their capital markets and supporting local stock exchanges. They can do this through investing in the local market and engaging with regulators, companies and national/local government around building the capital market structures they need. The report cites evidence from academic studies showing a strong relationship between better financial development, economic growth and poverty alleviation in LDCs.

It is clear that investors may contribute to the achievement of the Global Goals in a variety of ways. Our survey asked whether investors have plans to contribute to the Global Goals, and if so what strategies they will use, as well as examining what action they are already taking.

***Nearly half of respondents already have plans around the Goals, and intend to increase their work around the Goals in future. The other half are currently undecided about their plans***

We asked survey respondents whether their organisation has already started making plans on how to respond to the Global Goals and whether they plan to increase their work around the Global Goals each year until 2030. The results reveal that 48% of respondents have already started planning how to respond to the Goals and 47% have plans to increase their work around them in the future. However, 43% of respondents answered with 'neither agree nor disagree' when asked whether they plan to increase their work around the Sustainable Development Goals until 2030. This tells us that many investors are undecided as to their future plans around the Goals.

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“ 48% of respondents have already started planning how to respond to the Goals ”

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***Most investors are currently taking action associated with Goals 13 (combat climate change), 5 (achieve gender equality) and 7 (ensure access to energy)***

In order to understand which Goals investors are currently taking action on and might take action on in future we presented respondents with a list of all 17 Goals and asked them to indicate for each Goal if they are either currently contributing to the sustainability areas covered by the Goal or plan to contribute to it in the next 15 years. 75% of respondents are already taking action on three or more of the Goals and the top three Global Goals investors are currently focusing on are Goals 13, 5 and 7, with the least attention being paid to Goal 10. Table 2 shows the results of this question.

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“ 75% of respondents are already taking action on three or more of the Goals ”

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13 PwC (2015) *Make it Your Business: Engaging with the Sustainable Development Goals*, [http://pwc.blogs.com/files/sdg-research\\_final.pdf](http://pwc.blogs.com/files/sdg-research_final.pdf)

14 UNGC, UNCTAD, UNEP FI, PRI (2015) *Private Sector Investment and Sustainable Development*, [https://www.unglobalcompact.org/docs/publications/Private\\_Sector\\_Investment\\_and\\_Sustainable\\_Development.pdf](https://www.unglobalcompact.org/docs/publications/Private_Sector_Investment_and_Sustainable_Development.pdf)

15 Noble, G. and White, A. (no date) *Stock Exchange Development and Strengthening in Least Developed Countries*, Inflection Point Capital Management <http://inflectionpointcm.com/downloads/SESLDCs.pdf>

**Table 2: Percentage of respondents currently taking action toward sustainability areas associated with each Goal**

| Rank | Sustainable Development Goal  | Percentage of respondents currently taking action |
|------|---|---|
| 1    | Goal 13: Take urgent action to combat climate change and its impacts  | 78  |
| 2    | Goal 5: Achieve gender equality and empower all women and girls   | 70  |
| 3    | Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all  | 67  |
| 4    | Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | 57  |
| 5    | Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation   | 52  |
| 5    | Goal 3: Ensure healthy lives and promote well-being for all at all ages   | 52  |
| 5    | Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  | 52  |
| 6    | Goal 6: Ensure availability and sustainable management of water and sanitation for all  | 50  |
| 6    | Goal 12: Ensure sustainable production and consumption patterns   | 50  |
| 7    | Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture  | 46  |
| 8    | Goal 1: End poverty in all its forms everywhere   | 39  |
| 8    | Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development   | 39  |
| 9    | Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable   | 37  |
| 9    | Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all  | 37  |
| 9    | Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            | 37  |
| 10   | Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development   | 33  |
| 11   | Goal 10: Reduce inequality within and among countries   | 20  |



**Examples of investor action**

As part of this question, we asked investors to provide examples of their current activities. The responses show that investors are undertaking a variety of activities, although not all of these are framed in the language of the Global Goals.

Some investors are already integrating the Goals in their investment analysis; for example, Mirova, the responsible investment division of Natixis Asset Management, is using the Sustainable Development Goals as the basis for its ESG analysis framework (See box four).

**Box 4: Mirova's ESG analysis framework based on the Sustainable Development Goals**

Mirova has developed an ESG analysis framework based on the Global Goals, which they have arrived at by condensing the Goals into seven environmental and social themes which they believe resonate with business:

|                      |  |  |  |  |
|----------------------|--|--|--|--|
| Environmental impact | <b>Climate Change</b><br>Limiting emissions of greenhouse gases and protecting natural carbon sinks for climate stability  | <b>Resources</b><br>Stewardship of natural resources, including water, to maintain stocks for future generations   | <b>Pollution</b><br>A clean environment free from undesirable substances, noise and heat in air, land and water                                | <b>Biodiversity</b><br>Productive landscapes for nature and people built on healthy ecological foundations |
|                      | <b>Basic Freedoms</b><br>Freedom of movement, thought, religion, expression and association, without discrimination  | <b>Health</b><br>Access to basic services such as healthcare, food, water, energy, shelter, sanitation, information and communication in a safe and secure society | <b>Development</b><br>Access to high levels of education and employment based on decent, secure jobs with opportunities for skills development |  |
| Economic impact      | Economic criteria are already well understood and documented.<br>The assessment of this performance is not the subject of the methodology<br>Economic impacts assessment is performed by our financial analysts and integrates environmental and social dimensions |  |  |  |

Mirova believes that both a company's products and services, and the way they are produced and rendered, allow them to have an impact on sustainable development. They have therefore developed a scoring methodology to assess companies' impacts on the SDGs based on a two-step approach:

1. Assessing companies' exposure to identified solutions to the SDGs, derived from their product and service offerings (using a combination of qualitative analysis and a set of quantitative indicators such as sales, CAPEX and R&D investments).
2. Assessing companies' operational impacts – for companies with products which offer solutions to the Global Goals, the review aims to ensure that operational impacts do not contradict the company's positive impact. For companies whose products do not offer specific solutions to the Global Goals, this review aims to identify if a company's overall practices may generate positive or negative impact.

This two-step approach to assessing companies results in 5 levels of sustainability rankings, from strong negative impact to positive impact. Their funds then exclude those companies which have a negative impact, whilst maximising the proportion of those which have a positive impact.



Alliance Trust Investments has developed a framework to integrate the Global Goals into its investment analysis by identifying how each Goal may shape the economy and business environments in the next 15 years (See box five).

#### **Box 5: Alliance Trust Investments' integration of the SDG framework in its investment analysis**

Alliance Trust Investments (ATI) has developed a framework to integrate the Sustainable Development Goals into its investment analysis. The ATI approach is based on three key stages. When assessing potential investments ATI will;

- 1 Identify the key driver or drivers of long-term shareholder returns in the relevant sector;
- 2 Then analyse how the SDGs are likely to reshape the operating environment for companies, and therefore which businesses are likely to win or lose over time;
- 3 Seek to quantify, where possible, the scale of change on the core value drivers, and therefore company value

As part of this work ATI has analysed each of the SDGs and identified the key investment themes that will form the basis of an investment strategy. One of their key themes is sustainable water management, which is addressed by Goal 6 ('Ensure availability and sustainable management of water and sanitation for all') and ATI are assessing the financially material water issues across the supply chains of companies they invest in. ATI said "We believe that companies who are willing to be transparent on this issue and effectively manage a resource that is so vital to local communities, the natural environment and gross margins, are quite simply better investments. For example, H&M have teamed up with WWF to develop a water stewardship strategy, which they believe will give them a competitive advantage."<sup>16</sup>

A number of respondents said that they are engaging with companies around issues related to the Global Goals, including human rights, financial inclusion, labour rights, and sustainable consumption and production (for example, see box six on Walden Asset Management's engagement with companies).

#### **Box 6: Walden Asset Management's engagement on SDG themes**

Walden Asset Management "believes that the SDGs represent a helpful framework to engage portfolio companies on their role in eradicating global poverty"<sup>17</sup>. Walden Asset Management has identified how their engagement with companies supports the Global Goals. For example, on Goal 10 ('Reduce inequality within and among countries') Walden Asset Management has advocated for strong human rights policies within companies' supply chains, to reduce inequality in how workers are treated. On Goal 12 ('Ensure sustainable consumption and production patterns') Walden Asset Management has been working toward Target 12.6 ('Encourage companies... to adopt sustainable practices and integrate sustainability information into their reporting cycle'). They have engaged with companies including PepsiCo, Gentex and C.R. Bard to encourage them to commence or improve their ESG reporting, and also conducted a programme of engagement with food and beverage companies to encourage them to increase the recycled content and recyclability of their packaging<sup>18</sup>. Since the launch of the Sustainable Development Goals, Walden Asset Management has written to a number of companies specifically about the Goals, enquiring about actions they are taking to address Goal 1 ('End poverty in all its forms everywhere') and other Goals that address core issues related to extreme poverty.

<sup>16</sup> Alliance Trust Investments (2015) *Investing for a prosperous future: integrating the United Nation's Sustainable Development Goals into investment analysis* [http://www.alliancetrustinvestments.com/global/documents/6076/78340/78344/SDGs\\_and\\_Investment\\_Process.pdf](http://www.alliancetrustinvestments.com/global/documents/6076/78340/78344/SDGs_and_Investment_Process.pdf)

<sup>17</sup> Walden Asset Management (2015) *Values – Winter 2015* <http://www.waldenassetmgmt.com/News/Newsletters/2015/Winter/article-3>

<sup>18</sup> Ibid.



In particular, many respondents gave examples of actions they are taking to tackle climate change (Goal 13) (See box seven) and achieve gender equality (Goal 5) (See box eight). Some respondents also said they were supporting the Goals through impact investment, or by providing funds which support the themes of the Global Goals. For example, Standard Life Investments stated that the Global Goals are at the core of their impact investment approach, and that they are discussing how to use the Goals as the basis of the methodology for some of their 'Socially Responsible Investment' (SRI) and ethical funds.



Photo credit: Creative Commons (2016)

#### Box 7: Investor action on Goal 13 'Take urgent action to tackle climate change and its impacts'

The Goal which the largest number of respondents are focusing on is Goal 13 ('Take urgent action to combat climate change and its impacts'). Respondents said that they are contributing to Goal 13 in a variety of ways. For example, Australian superannuation fund, VicSuper, has been talking to their investee companies about managing climate risks and opportunities. Through these meetings they seek to improve companies' disclosure of climate strategy or discuss how they plan to transition toward a low-carbon economy. VicSuper has received correspondence from their members expressing concern about the impacts of climate change on their savings, and will be reporting to members about how climate change may impact their investments, and how they are managing these risks, in early 2016<sup>19</sup>.

Aviva's Chief Executive Mark Wilson has stated that there "is no greater collective risk we face today than tackling climate change" and that "Aviva is determined to make its own contribution to tackling climate change." Aviva has looked at both their capital allocation strategy and engagement strategy in order to take action on carbon investment risk. They have developed a 5 pillar strategy to address their carbon risk covering: integrating climate risk into investment considerations, investing in low-carbon infrastructure, supporting strong policy action on climate change, actively engaging with companies to achieve climate-resilient business strategies, and divesting from highly carbon-intensive fossil fuel companies which are not making progress toward set engagement targets<sup>20</sup>.

<sup>19</sup> VicSuper (2015) *Annual Report 2015* [http://www.vicsuper.com.au/~media/Files/PDFs-and-downloads/Other/Campaigns/Annual-Report-2015/AR15\\_view-as-spreads\\_lowres.pdf](http://www.vicsuper.com.au/~media/Files/PDFs-and-downloads/Other/Campaigns/Annual-Report-2015/AR15_view-as-spreads_lowres.pdf)

<sup>20</sup> Aviva (2015) *Aviva's strategic response to climate change* Available from <http://www.aviva.com/media/thought-leadership/climate-change-value-risk-investment-and-avivas-strategic-response/>



#### Box 8: Investor action on Goal 5 'Achieve gender equality and empower all women and girls'

Investors are contributing to Goal 5 in a number of different ways. For example, Pax World Investments, a US investment management company, has integrated diversity analysis and gender criteria into the research it produces for its funds. Its funds now favour investments in companies with diverse boards and also seek to avoid companies that do not provide a safe work environment for women. Pax World Investments has also adopted a proxy voting guideline stipulating that they will not support any slate of directors which does not include at least two women when they receive the company's annual proxy with its slate of directors submitted for shareholder election<sup>23</sup>.

Another example is the work of the Thirty Percent Coalition, a coalition of senior business executives, industry leaders, institutional investors, women's organisations and corporate governance experts. Its aim is to ensure that women hold 30% of board seats across public companies. Between 2012 and 2015 institutional investors contacted 168 companies in the S&P 500 and Russell 1000 indices that did not have any women board members. By October 2015, 62 of the targeted companies had appointed a woman to their board<sup>24</sup>.

Some investors are conducting research that will help investors support the Global Goals; for example, Aviva Investors has published a report providing suggestions for policy makers as to how they can introduce greater sustainability in the capital markets<sup>21</sup>, and a call to action outlining how finance can be mobilised to support the Sustainable Development Goals<sup>22</sup>. Calvert Investments stated that they are "developing research and tools that will demonstrate how the Sustainable Development Goals relate to responsible business practices and to economic value, aiming to enable investors to consider these factors in their portfolio decisions".

#### All Goals will see an increase in action over the next 15 years

In the same question, we asked respondents to indicate which Goals they will take action on in the next 15 years. Table 3 shows what percentage of the respondents currently not taking action on each Goal intend to do so in the next 15 years. The results show that more investors will take action on Goals where many investors are already taking action, including Goals 7, 13, 9 and 8. Goals 4, 11 and 16 will see a significant increase in action, with 76%, 72% and 72% respectively of those investors currently not taking action intending to do so in the next 15 years.

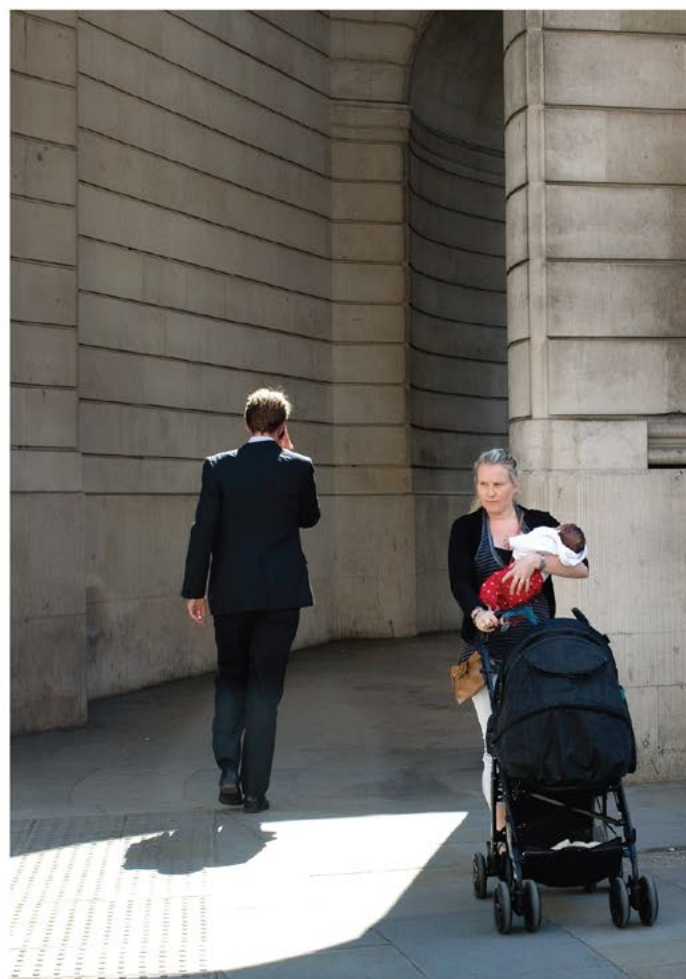


Photo credit: Polly Braden (2011)

21 Aviva (2014) *A Roadmap for Sustainable Capital Markets: How can the UN Sustainable Development Goals Harness the Global Capital Markets?*, <https://sustainabledevelopment.un.org/content/documents/10574avivabooklet.pdf>

22 Aviva (2015) *Mobilising Finance to Support the Global Goals for Sustainable Development: Aviva's Calls to Action* <http://www.aviva.com/media/thought-leadership/mobilising-finance-support-global-goals-sustainable-development/>

23 Pax World Investments (2015) *Spotlight on engagement: gender diversity* <http://paxworld.com/system/storage/19/45/c/5214/gender-diversity.pdf>

24 Thirty Percent Coalition (2015) *Press Release – Fort Washington, PA*, <http://www.30percentcoalition.org/news/117-thirty-percent-coalition-commends-62-public-companies-adding-women-to-their-boards-of-directors-and-issues-a-call-to-action>



**Table 3: Percentage of respondents not currently taking action on each Goal who intend to do so in the next 15 years**

| Rank | Sustainable Development Goal  | Percentage of respondents not currently taking action that intend to do so in the next 15 years |
|------|---|---|
| 1    | Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all  | 87  |
| 2    | Goal 13: Take urgent action to combat climate change and its impacts  | 80  |
| 3    | Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation   | 77  |
| 4    | Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all  | 76  |
| 5    | Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  | 73  |
| 6    | Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable   | 72  |
| 6    | Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            | 72  |
| 7    | Goal 5: Achieve gender equality and empower all women and girls   | 71  |
| 8    | Goal 6: Ensure availability and sustainable management of water and sanitation for all  | 70  |
| 8    | Goal 12: Ensure sustainable production and consumption patterns   | 70  |
| 9    | Goal 3: Ensure healthy lives and promote well-being for all at all ages   | 68  |
| 9    | Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development   | 68  |
| 10   | Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | 65  |
| 11   | Goal 1: End poverty in all its forms everywhere   | 64  |
| 11   | Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture  | 64  |
| 11   | Goal 10: Reduce inequality within and among countries   | 64  |
| 12   | Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development   | 61  |

At first glance it appears that, whilst the survey results reveal that respondents believe that taking action on Goals 9 and 8 will have the highest potential to help meet their investment objectives, Goals 9 and 8 are not investors' top priorities for current or future action. However, closer analysis of the results reveals that 92% of respondents which said that taking action on Goal 9 had 'high potential' to help meet investment objectives are either currently taking action on Goal 9 or intend to do so in the next 15 years. Similarly, 85% of respondents who said that taking action on Goal 8 had 'high potential' to help meet investment objectives are either currently taking action or will do so in the next 15 years. The results show that those investors which believe that acting on Goals 9 and 8 has 'high potential' to meet their investment objectives, but did not indicate that they are, or will, take action on these Goals, are those which have not yet made plans on how to respond to the Global Goals.

Indeed, as mentioned previously, nearly half of survey respondents indicated that they are undecided on future plans around the Global Goals, meaning that Table 3 can only give an indication of which Goals investors might take action around in future. Nevertheless, it seems that investor action will increase, as there are many investors currently making plans on how to respond to the Goals. For example, Al Baraka Banking Group, an international Islamic banking group listed on Bahrain Bourse and Nasdaq Dubai stock exchanges, has become one of the first global financial institutions to set itself targets which are specifically linked to the Sustainable Development Goals, which it will address through both its business practices and corporate social responsibility programmes. The group is focusing on Goals 1, 3, 5, 8, 9 and 13, and plans to do this by working with customers that are more closely aligned with Al Baraka's social responsibility priorities. For example, it has made plans to add 50,000 jobs across the countries it operates in through financing new and existing customer operations, and will prefer working with customers that are adding and retaining jobs and offer equal opportunities for men and women<sup>25</sup>.

### ***Investors will use a variety of strategies to contribute to the Global Goals***

Next we asked investors what strategies they are likely to use to contribute to the Global Goals, including asset allocation, individual and collaborative engagement with investee companies, supporting regulatory reforms to promote the SDGs, incorporating the ESG issues covered by the Goals in voting policies, and monitoring asset managers' action on the SDGs. The majority of respondents are willing to use a variety of different strategies to contribute to the Goals and over two thirds of respondents indicated that they would either definitely use, or are likely to use, all of the strategies listed in the question (see Appendix 2, question 7 for full list).

'Engaging individually with investee companies on ESG issues incorporated in the SDG framework' is most likely to be used, with 95% of respondents saying they will either definitely use this tactic, or are likely to use it. 'Working in collaboration with other investors to engage with companies on ESG issues incorporated in the SDG framework' is identified as the second most likely to be used strategy with 93% of respondents indicating they will either definitely or likely use this tactic. It makes sense that investors would choose to use this strategy, as past collaborative engagement with companies has proved effective, and it has numerous advantages, including sharing knowledge and skills, enhancing power and legitimacy, and greater efficiency<sup>26</sup>. Box nine provides examples of how collaborative engagement has contributed to Goal 8 ('Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all').

25 Al Baraka (2015) 'Al Baraka pledges targets for United Nations' Global Goals for Sustainable Development' <https://www.albaraka.com/default.asp?action=article&id=552> accessed 11.2.16

26 Principles for Responsible Investment (2013) *Introductory guide to collaborative engagement: how institutional investors can effectively collaborate with companies* [http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/PRI\\_IntroductoryGuideToCollaborativeEngagement.pdf](http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/PRI_IntroductoryGuideToCollaborativeEngagement.pdf)



## Box 9: Collaborative engagement with companies to support Goal 8

### ***Collaborative engagement on the UK Living Wage***

A coalition of institutional investors made up of asset managers, pension funds, charitable foundations and faith investors, has been engaging with companies around the UK Living Wage<sup>27</sup> since 2011. The coalition has sent investor-signed letters coordinated by ShareAction to all FTSE 100 CEOs before their annual general meetings, calling for the application of Living Wage standards to all the companies' employees and on-site contractors in the UK. As investor support for the initiative has grown (from £13billion in assets under management in 2011 to £50billion in assets under management in 2015), so has the rate of adoption of the Living Wage by businesses. 30 of the FTSE 100 companies are now Living Wage employers – up from 18 at the end of 2014 and 2 in 2011. Another 13 of the FTSE 100 have committed to applying the Living Wage standard without becoming officially accredited. Investor action and backing of the Living Wage have been crucial for the progress achieved so far. This engagement supports Target 8.5. ('By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value').

### ***Collaborative engagement on employee relations***

Many studies show a positive correlation between employee relations and a company's financial performance<sup>28</sup>. Global companies with highly engaged employees on average grow earnings more than 2.5 times faster than those with below average engagement<sup>29</sup>. In 2014 a group of 11 PRI signatories with US\$1.5 trillion of assets under management decided to engage collaboratively with 27 global listed retail companies to improve company performance and enhance company disclosure regarding employee relations. 24 of the companies responded to the investor letter, 21 companies acknowledged the issue, and further dialogue has taken place with 17 of the companies. As a result of the engagement 22 of the companies improved their reporting and 3 companies improved their performance on core selected KPIs covering employee turnover, absence, training and engagement. Strongest reporting improvements could be seen in the areas of employee training and development across the workforce and employee engagement, which over half the companies surveyed reported. This collaborative engagement supports Target 8.5 ('By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value') and Target 8.8 ('Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment').

27 The Living Wage is the minimum hourly rate that an individual and their family need in order to cover basic needs such as housing and food. It is independently calculated and updated annually and all accredited employers commit to paying the Living Wage to all their employees, including contractors. Currently the rate is set to £9.40 an hour in London and £8.25 in the rest of the UK.

28 Harter, J., Schmidt, F., Agrawal, S. and Plowman, S. (2013) *The Relationship Between Engagement at Work and Organizational Outcomes. 2012 Q12 Meta-Analysis* Gallup Inc.

29 Ott, B. (2007) 'Investors, Take Note: Engagement Boosts Earnings' *The Gallup Management Journal* <http://www.gallup.com/businessjournal/27799/investors-take-note-engagement-boosts-earnings.aspx>



89% of respondents are open to 'working with other investors towards the achievement of the Goals through global organisations'. BlueBay Asset Management, a global fixed income manager, provided a number of examples of work they are doing collaboratively through the PRI network to support sustainability areas related to the Goals, including participating in initiatives around engaging with credit rating agencies and issuers to facilitate ESG integration, and encouraging stock exchanges to improve ESG disclosure of companies listed on them<sup>30</sup>. Respondents stated that they will work with other investors through a variety of organisations, including the PRI, the

Charities Responsible Investment Network, the Institutional Investors Group on Climate Change, the Sustainable Finance Action Network, and the Church Investors Group.

89% of respondents also said they will definitely or likely 'support regulatory reforms that promote the Global Goals' and 73% of respondents said they will definitely or likely undertake 'collaborative engagement with policy makers' to support the Goals. Box 10 provides an example of how investors can engage with policy makers and regulators to create a regulatory environment which supports the Global Goals.

#### Box 10: Investor engagement with policy makers to support the Global Goals

An example of investor engagement to support regulatory reforms that will contribute to the Global Goals is the work of institutional investors in 2014 to encourage the inclusion of a 'Transparency in Supply Chains' clause in the Modern Slavery Bill (now the Modern Slavery Act 2015<sup>31</sup>). The clause requires many UK listed companies to report on what they are doing to eradicate slavery, human trafficking, child labour and forced labour in their supply chains. This regulation supports Target 8.7 ('Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour'). A group of 21 investors coordinated by Rathbone Greenbank Investments, with a combined total of £940 billion in assets under management, co-signed a statement in support of the inclusion of the clause in the Bill. In part due to investor engagement, the Bill was amended to include the Transparency in Supply Chains clause. Furthermore, investors contributed to the government consultation on the Modern Slavery Act to support the clause being applied to all companies with an annual turnover of more than £36million, rather than a higher threshold. As a result of consultation this threshold was adopted, and came into force in October 2015<sup>32</sup>.

As well as engaging with companies and regulators, investors can support the achievement of the Goals through capital allocation and 84% of the respondents said that they would definitely or likely 'allocate capital to investments that promote sustainable development'. The two case studies in box 11 provide examples of how investors are already allocating capital to investments which could support the Global Goals.



Photo credit: Creative Commons (2016)

<sup>30</sup> BlueBay Asset Management (2015) <http://www.bluebay.com/en/environmental-social-and-governance/industry-participation/#IPlink>

<sup>31</sup> UK Parliament (2015) *Modern Slavery Act 2015* <http://www.legislation.gov.uk/ukpga/2015/30/contents>

<sup>32</sup> Home Office (2015) *Modern Slavery and Supply Chains Government Response: Summary of Consultation Responses and Next Steps*, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/448200/Consultation\\_Government\\_Response\\_final\\_2\\_pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/448200/Consultation_Government_Response_final_2_pdf.pdf)



## Box 11: Supporting the Global Goals through asset allocation

### ***The Environment Agency Pension Fund's contribution to Goals 13 and 15***

The Environment Agency Pension Fund (EAPF) places a particular emphasis on tackling three sustainability areas through its investments; climate change, resource scarcity and biodiversity loss. The EAPF recognises that these areas can be a source of significant investment risk, but it also believes that tackling them could lead to attractive return opportunities. It set itself a target to invest 25% of its fund by 2015 in companies and assets which make a positive contribution to a sustainable economy and it exceeded this target, reaching 26.3%. The EAPF has invested in environmental funds for several years and it sets a clear selection policy for the types of assets and/or the environmental guidelines the assets should meet. Over the last three years the fund has outperformed its benchmark by 1.4%<sup>33</sup>. Through this fund, the EAPF has particularly contributed to Goals 13 ('Take urgent action to tackle climate change and its impacts') and 15 ('Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss') whilst receiving good returns on their investment.

### ***Storebrand's contribution to Goal 3***

Storebrand, a provider of life insurance and pension funds in the Nordic region, has made a number of investments which contribute to improved healthcare. For example, they have invested in the Eye Fund I, which was launched in 2010 by Deutsche Bank's Community Development Finance Group to make loans to hospitals that specialise in treating eye conditions and blindness among poorer populations in emerging markets<sup>34</sup>. Storebrand has also invested in the Global Health Investment Fund which aims to help bring affordable healthcare technologies to those most in need through investing in new drugs and vaccines, emerging diagnostic tools and child-friendly formulations of existing products<sup>35</sup>. This is one example of how investors can contribute to Goal 3 ('Ensure healthy lives and promote well-being for all at all ages') through asset allocation.

Asset owners also indicated that they would encourage their investment managers to contribute towards the Global Goals on their behalf. 81% of asset owners said they would either definitely or likely 'refer to ESG issues incorporated in the SDG framework in mandates with asset managers', whilst 75% said they would 'adopt a proactive approach to monitoring asset manager performance on SDG themes' and 61% would 'require asset managers to produce reporting on how their decisions and engagement initiatives support the SDGs'.



Photo credit: Creative Commons (2016)

“ 81% of asset owners said they would either definitely or likely 'refer to ESG issues incorporated in the SDG framework in mandates with asset managers' ”

<sup>33</sup> Environment Agency Pension Fund (2015) *Active Pension Fund: Annual Report and Financial Statements 2014 – 2015*, <https://www.eapf.org.uk/annual-reports-and-accounts>

<sup>34</sup> Storebrand ASA (2010) *Annual Report 2010* [https://www.storebrand.no/site/stb.nsf/Get/get77ff4210848aec4b8dea13fe1fb7cd78/\\$FILE/2010YearAnnualReportSinglePages.pdf](https://www.storebrand.no/site/stb.nsf/Get/get77ff4210848aec4b8dea13fe1fb7cd78/$FILE/2010YearAnnualReportSinglePages.pdf)

<sup>35</sup> Global Health Investment Fund (2015) <http://www.ghif.com/> Accessed 16.02.16



## Section 3

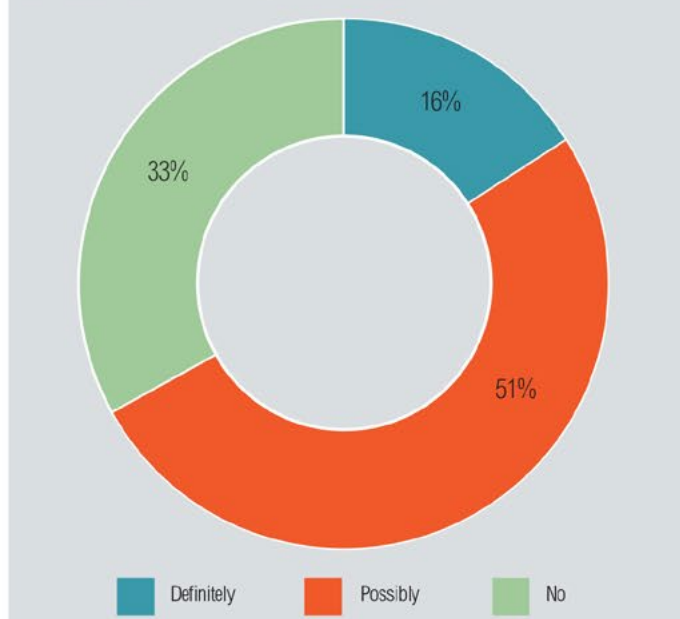
### Communication with clients and beneficiaries about the Sustainable Development Goals

When making decisions, investors have a duty to act in the best interests of their clients and beneficiaries. Therefore, when considering taking action on the Global Goals investors may plan to take the impact of the Goals on these clients and beneficiaries into account, and ask clients and beneficiaries for their views on the Goals. Similarly, it is considered best practice for investors to regularly report to their clients and beneficiaries on their activities, so investors taking action on the Goals may wish to report about this. There is also increasing evidence that reporting helps to drive action on sustainability across the board.

***Some investors intend to seek clients' and/or beneficiaries' views on the Global Goals, although many are still undecided***

We asked respondents to indicate whether they 'strongly agree', 'agree', 'neither agree nor disagree', 'disagree' or 'strongly disagree' with the statement 'Our beneficiaries or clients want us to support the Global Goals'. 40% of respondents answered with 'strongly agree' and 'agree', with only 14% of investors disagreeing with this statement. 46% report that they neither agree nor disagree. We also asked investors whether they intend to seek their beneficiaries' and/or clients' views on the Global Goals (see Figure 2). Only 16% were committed to definitely seeking input from their clients or beneficiaries, but over half of the respondents (51%) indicated that they might do this at some point in the future. Those investors who said they definitely intend to seek their clients' or beneficiaries' views mostly intend to do so through client surveys; Alliance Trust Investments and Swedish insurance company Folksam both have plans to survey their clients' views on the Goals. The high percentage of respondents who are as yet undecided on the topic is likely explained by the fact that their thinking around the Goals is still at an early stage. Although a number of respondents commented that client input is a good idea, currently they have no concrete plans to gather this information. The two main barriers cited by the 33% of respondents who do not intend to consult their clients or beneficiaries relate to the time consuming nature of such an exercise and the low level of awareness of beneficiaries and clients about the Global Goals.

**Figure 2: Does your organisation intend to seek beneficiaries'/clients' views on the Sustainable Development Goals?**



***Some investors are committed to reporting to their clients and beneficiaries about their impact and engagement with the Goals, although many are still undecided***

21% of respondents say that they will definitely report to their clients or beneficiaries about their impact on, and engagement with, the Global Goals, while 68% indicate that they will possibly do so. Only 11% definitely will not. At present only 18% of investment managers will definitely report to their clients on their engagement with the Goals, whilst 79% are still undecided. However, as mentioned above, 61% of asset owner respondents stated that they would 'require asset managers to produce reporting on how their decisions and engagement initiatives support the SDGs', which indicates that we may well see an increase in the number of investment managers reporting on their engagement with the Goals, due to client demand.



The survey results indicate that some investors have started making plans to integrate information about the Global Goals in their reporting. For example, Folksam stated that the Global Goals already form part of their sustainability and annual financial reporting, and Standard Life Investments stated that they included information about the Goals in their 2015 quarterly reports and are currently looking at ways to integrate the Goals more systematically in their reporting materials. Similarly, Walden Asset Management included information about how their past and current work contributes to the Goals in their Winter 2015 client newsletter<sup>36</sup>, whilst Sompo Japan Nipponkoa Insurance, a Japanese property and casualty insurance company, said they will include information about their impact on the Global Goals in their annual Corporate Social Responsibility report, and Alliance Trust Investments plan to include information about their work on the Goals in their annual review. Reporting by investors can play a key role in increasing transparency and accelerate the inclusion of sustainability issues in investment analysis across the industry, which would support the Sustainable Development Goals. Box 12 provides an example of how investors can report on sustainability issues and encourage action in the sector.

#### Box 12: Investor reporting on transparency

Investor reporting on sustainability is becoming increasingly sophisticated. Now in their third year, the Responsible Investor magazine's annual 'RI Reporting Awards' are evidence of this trend. Covering more than 1,000 pension funds globally, the awards showcase excellence in ESG and Responsible Investment reporting and recognise the highest standards of asset owner disclosure on responsible investment activities globally. The winner of 'best RI report for 2015' in the large funds category is the French fund Caisse des Dépôts. Caisse des Dépôts' report outlines the group's strategic priorities from a sustainable development perspective, including corporate finance, housing, the energy transition, infrastructure, sustainable mobility and tourism. It discusses the business lines for each of these priorities and lists the sustainable development challenges in the group's subsidiaries. The report also provides an explanation of how sustainable development policies are coordinated throughout the group. The report by Caisse des Dépôts serves as an example of the type of reporting that would increase transparency and serve to accelerate sustainability integration across the industry.

**Figure 3: Will you include information on your organisation's impact on and engagement with the Sustainable Development Goals as part of your regular reporting?**

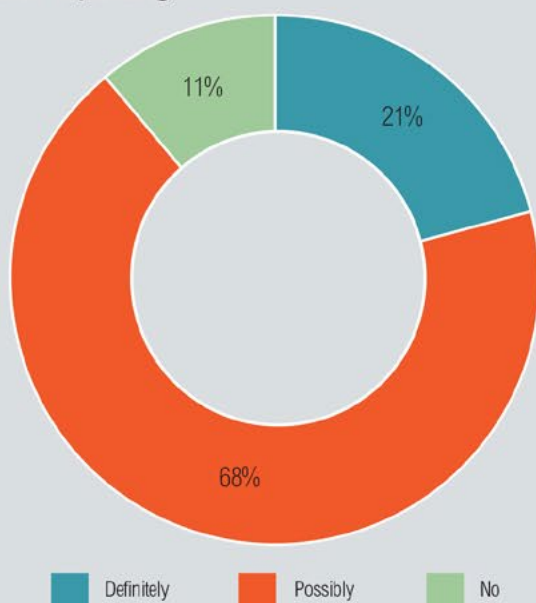


Photo credit: F J Mountford (2010)

<sup>36</sup> Walden Asset Management (2015) *Values – Winter 2015* <http://www.waldenassetmgmt.com/News/Newsletters/2015/Winter/article-3>



# Section 4

## Collaboration with civil society and governments around the Sustainable Development Goals

*Transforming Our World: the 2030 Agenda for Sustainable Development* recognises that partnerships between different actors will be crucial to achieving the Goals, and indeed Goal 17 is to 'Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development'. In particular, this includes Target 17.17 to 'Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.' We therefore investigated whether investors are currently engaged in partnerships with actors outside the investment system, or would be willing to form these partnerships to promote the Global Goals.

***Investors are working in partnership with other organisations and would be willing to do more. However, they are largely unaware of governments' response to the Goals, which hampers working with governments***

We asked investors whether they are currently working in collaboration with public bodies or civil society organisations on ESG issues that are relevant to the Global Goals. 60% of the investors who responded to this question are working collaboratively on ESG issues with a range of different actors, including Chatham House, Natural Capital Declaration, UN Global Compact, Save the Children, Vivat International and Eumedion.

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“ 60% of the investors who responded to this question are working collaboratively on ESG issues with a range of different actors ”

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A small number of investors are also working with their governments. For example, a German investment manager mentioned that they are part of a working group with the German government on how to finance a green economy, a Dutch investment manager said they are in consultation with the Dutch government on the Goals, and UK asset manager Aviva Investors stated that they

are working with policymakers at the national and international level on mobilising finance to support the goals. However, more than two thirds of respondents indicated that they are not aware of their government's response to the Goals, showing that there has not yet been much engagement between investors and governments around the Goals. On interaction with the UK government, an investor organisation said "There is a lack of mechanisms by which institutions can talk to the government on what implementation (of the Global Goals) means for developed countries like the UK and the role that private finance is expected to play."

Nevertheless, there seems to be an appetite for increased collaborative work with both public bodies and civil society organisations; 15 of the 17 respondents who are not currently collaborating with government or civil society indicated they would be willing to do so around the Sustainable Development Goals. The factors which could sway their decision in favour include showing that the Global Goals will add benefits to current activities and streamlining work on the Goals into existing ESG actions. One reason cited for not working in collaboration with other stakeholders on the Goals is the lack of sufficient resources to dedicate to "extracurricular activities".



Photo credit: Creative Commons (2016)

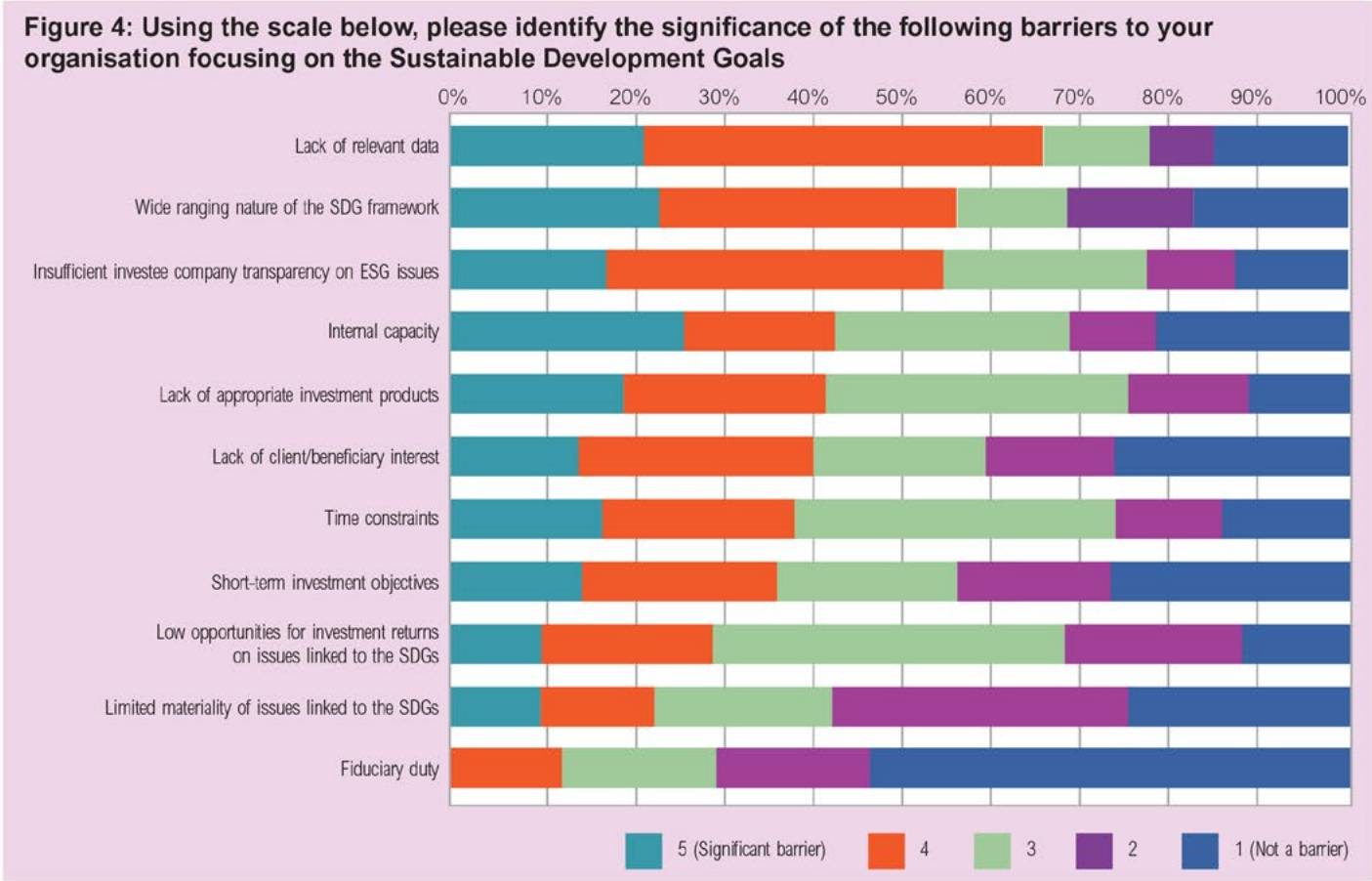


# Section 5

## Barriers to focusing on the Sustainable Development Goals

We asked respondents to identify the significance of a number of potential barriers to their organisation’s ability to focus on the Global Goals. Using a Likert scale, we

asked respondents to rank the different factors from 1 to 5, where 5 indicates a ‘significant barrier’ and 1 means ‘not a barrier’. The results are shown in Figure 4.



“ Lack of relevant data about the Goals, insufficient investee company transparency on ESG issues, and the wide ranging nature of the SDG framework are cited as the greatest barriers to investors focusing on the Global Goals. ”

The most significant barrier identified by the survey respondents is lack of data demonstrating how the Goals are relevant to investors, which 66% of respondents cited as a barrier (indicated by ticking 4 or 5). One investment manager commented that “there is not enough information to effectively evaluate how to approach, evaluate or incorporate” the Global Goals into their work.

Secondly, consistent with other parts of our analysis, the wide ranging nature of the Sustainable Development Goals framework was cited as a barrier by 57% of survey respondents. A number of interviewees commented that the SDG framework is inaccessible to investors, and that there is a challenge around how to make it relevant to them (see p. 11-12 for more detail). One respondent commented “There are so many targets and so many links between the Goals that it’s difficult to come up with a clear set of implications for investors. We need to break them down to understand what is happening”. For many investors, the SDG framework is too broad to base their activities around directly.

55% of survey respondents identified 'insufficient investee company transparency' as a barrier. As one interviewee commented "Company reporting on sustainable development is not good enough. If you don't know how a company's activities will impact on sustainable development, how are you supposed to do anything about it?" Interviewees and survey respondents commented that they lack data and indicators around sustainability topics, which makes it difficult for investors to assess companies' practices in these areas. One interviewee gave the particular example of lacking indicators on 'decent work' by which to assess companies.

Some investors also identified 'internal capacity' and 'time constraints' as a barrier (43% and 38% of survey respondents respectively). Investors commented that they are already engaging with other sustainability initiatives, and were concerned about the time and resources it would take to engage with the SDG framework. One interviewee commented that whilst large institutions have the resources to engage with the SDG framework, smaller ones do not. One investment consultant stated "The majority of our clients don't have a lot of time per year to spend on the SDGs and they need to prioritise. The smaller investors don't have much time to think about sustainability."

'Lack of appropriate investment products' was cited as a barrier by 42% of respondents. One investment manager commented that, whilst they felt there were sustainability-themed investment products available, these often did not provide appropriate returns, or failed to properly address the root causes of sustainability problems. One interviewee commented that there are plenty of investment products in emerging economies, but few opportunities to invest in the least-developed countries. A pension fund officer commented that pension funds often invest in passive indices, so aren't in a position to invest in specific funds related to the Goals.

'Lack of client or beneficiary interest' was cited as a barrier by 40% of survey respondents, and one pension fund commented that they could not communicate with beneficiaries about the Goals because they "won't understand what we're talking about." An investment manager commented "The reason a lot of investment managers are not integrating ESG factors in their decision making process is because clients are not asking for it" although also went on to say "Clients are not raising the issue because they expect their investment managers to raise it with them". A number of respondents mentioned that they will respond to the Goals if they see client demand to do so, but have not yet experienced that.

37% of survey respondents cited 'short-term investment objectives' as a barrier, and a number of interviewees also cited this as a significant problem. One interviewee commented that investors find it difficult to engage with companies about long-term sustainable development as they are "most concerned about quarterly reports and keeping their share price elevated over the next 3-6 months". Similarly, another interviewee commented that asset managers often operate on a short-term horizon because their mandate is to generate quarterly returns, which means they do not take long-term sustainability issues into account.

Overall, the other factors we asked about in this question do not appear to be considered barriers to focusing on the Global Goals. Only 29% of respondents considered 'low opportunities for investment returns on issues linked to the SDGs' to be a barrier, and only 23% of respondents cited 'limited materiality of issues linked to the SDGs' as a barrier. However, one interviewee said that they felt that there is a widely held view that investors can either have good returns or make a positive social and environmental impact, but not both, which they saw as a barrier to investors supporting the Goals.

Fiduciary duty was seen as the least significant barrier to engaging with the Goals, and only 12% of respondents cited it as a barrier. One respondent commented that the Sustainable Development Goals can serve to inform fiduciary duty, as they were "universally created in consultation with citizens, governments, and all types of organisations" so give a good indication of the issues that people care about.



# Section 6

## Overcoming the barriers to focusing on the Sustainable Development Goals

As well as seeking investors' views on the main barriers which preclude them from acting on the Global Goals, we asked them to list up to three actions that could break down these barriers. The qualitative data collected was coded under seven broad categories, containing specific actions that could be taken to overcome the barriers. The

categories are ranked according to the importance respondents attributed to them, starting with the most prominent. The rank of each category was assigned on the basis of counting how many times it was mentioned by respondents. Table 4 presents the categories and gives some examples provided by respondents for each of them.

**Table 4: Ways to overcome the barriers to investors focusing on the Global Goals**

| Rank | Category of action  | Examples  |
|------|---|---|
| 1    | Making the Goals relevant to investors                          | <ul style="list-style-type: none"> <li>• More examples and reports demonstrating the advantages of taking action to promote the Goals on investment objectives and returns</li> <li>• Provide examples of how each SDG can be influenced by investors</li> <li>• Group Goals together in terms of activity that could be taken to advance them</li> <li>• Link Goals to other sustainability initiatives</li> </ul> |
| 2    | Regulatory action   | <ul style="list-style-type: none"> <li>• Government support for investor action, such as providing green bonds or tax incentives</li> <li>• Regulation that asks companies to report systematically on their impact on the Goals</li> <li>• Inter-governmental cooperation on promoting sustainability and tackling ESG issues</li> </ul>   |
| 2    | Better company reporting and transparency                       | <ul style="list-style-type: none"> <li>• More transparent and consistent reporting on ESG and sustainability issues by companies</li> <li>• Corporate reporting initiatives should promote the Global Goals as a basis for reporting</li> <li>• Transparent benchmarks ranking corporate sustainability performance against a range of SDG issues</li> </ul>  |
| 3    | Increased capacity for action amongst investors                 | <ul style="list-style-type: none"> <li>• Inspiring leadership of organisation to promote action</li> <li>• Freeing capacity in organisation to work on the SDG issues</li> <li>• Training on why the Goals are relevant for investors</li> </ul>  |
| 4    | Demand from clients and/or beneficiaries and other stakeholders | <ul style="list-style-type: none"> <li>• Talk with clients to take in to account their views on the issues covered by the SDGs</li> <li>• Improve financial literacy and build the capacity of all stakeholders on sustainable finance; interest from the public and other stakeholders will provide the mandate to invest resources in acting on the SDGs</li> </ul>   |
| 5    | Support from other actors in the investment system              | <ul style="list-style-type: none"> <li>• Get the sell-side engaged in drawing a link between business models and the Goals.</li> <li>• SDGs should be adopted by extra-financial agencies as a basis for their ESG framework</li> <li>• Networking with like-minded bodies</li> </ul>   |
| 6    | Tackling short-termism  | <ul style="list-style-type: none"> <li>• Less focus in corporates on rewarding directors' failure and short-termism</li> <li>• Support and incentives for long-term investors</li> </ul>  |



The factor investors say is most likely to facilitate their contribution towards the Sustainable Development Goals is increased evidence of the relevance of the Goals to investors, covering both how the Goals can impact investors' investment objectives, and how investors can incorporate the Goals into their investment practices. One investment manager commented "we need research that shows positive financial and economic impact to advance the SDGs". Respondents also said that the Goals need to be made more relevant to investors, perhaps by the provision of more examples of actions investors could take to advance them. One respondent suggests that it would be helpful to "group the Goals together in terms of activity that could be taken to advance them." Respondents also suggest that "linking various SDGs to other collaborative work we are involved in" (for example climate change) would be helpful to avoid doing work twice.

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**“ Respondents report that greater transparency, consistency, and quality of company reporting on ESG issues would help to overcome barriers, and allow them to support the Global Goals ”**

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The second factor which investors say would help facilitate their contribution towards the Goals is regulatory action, and one respondent commented that it "would be helpful to see more leadership from governments." Investors suggest regulatory action could take the form of things such as tax incentives and regulation that requires companies to report on their impact on the Goals. On par with this, respondents report that greater transparency, consistency, and quality of company reporting on ESG issues would help to overcome barriers, and allow them to support the Global Goals. To achieve this, respondents suggest that there needs to be integration of existing corporate reporting initiatives with the Goals. Benchmarks ranking corporate sustainability performance against a range of SDG issues would be useful and 68% of respondents stated that they would utilise benchmarks showing companies' contribution to the Goals.

Investors also commented that training on how to incorporate the Goals into their work would increase their capacity to take action to promote the Goals. Respondents to the survey, who were commonly staff working in Responsible Investment or Sustainability teams, also

commented that greater commitment by organisational leadership would allow for increased capacity within the organisation to take action on the Goals.

Investors also suggest that greater interest from stakeholders, and more support for action on the Goals from clients, beneficiaries and the public would better enable investors to support them. Investors suggest that wider engagement by stakeholders could be achieved by improved financial literacy and education on the importance of the Goals. As one interviewee commented "many people from outside the world of finance will be more interested in poverty, healthcare and inequality, rather than governance and finances. We need to engage the ultimate constituency of asset owners and need to be listening to them, taking on board their views. Engaging with pension savers is part of fiduciary duty, and gives investors a strong mandate to engage with companies on the issues beneficiaries care about".

Investors also say that support from other actors would be helpful, for example one investment manager suggested "get the sell-side engaged in drawing a link between business models and the Goals" and another said the "SDGs should be adopted by extra-financial agencies as a basis for their ESG framework". An asset owner suggested that "networking with like-minded bodies" would help them take action, showing that support from actors throughout the investment system would be useful.

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**“ One interviewee commented “many people from outside the world of finance will be more interested in poverty, healthcare and inequality, rather than governance and finances. We need to engage the ultimate constituency of asset owners and need to be listening to them, taking on board their views. ”**

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Investors also commented that taking action to tackle short-termism would better enable them to focus on the Goals. One respondent suggested that "there needs to be less focus in corporates on rewarding directors' failure and short-termism", indicating that short-termism could perhaps be tackled by incentivising directors to think long-term, and others commented that regulation to promote long-termism would be useful.



# Conclusion and recommendations

Since the ratification of the Sustainable Development Goals in September 2015, discussion about the role of the private sector in supporting the Goals has focussed primarily on the role business can play, while the role of investors has been discussed to a far lesser extent. Nevertheless, the findings from this survey suggest that many investors, with a broad range of mandates, see the Goals as relevant to their organisations and believe that contributing to them will serve to enhance returns, mitigate risk, strengthen their reputation and help them achieve their investment objectives. In fact, many investors are already contributing to the Global Goals through their current investment decisions and engagement activities. However, investors face a number of barriers to further supporting the Goals, and many are still unclear about how they can utilise the Sustainable Development Goal framework in their work. There are a number of steps which investors can take to aid the integration of the Global Goals into their work. Unfortunately, investors often lack the capacity to undertake these steps, meaning there is a particular role for investor organisations to play in supporting investors to take action, by providing resources, training and opportunities for collaboration.

“ When considering how investors could support the Global Goals, there is a need to avoid blanket responses and to understand the differences between investors, taking into account their motivations, size, time horizons, constraints and opportunities. ”

It will also be important for the investor community to work in partnership with other stakeholders interested in promoting the Goals, including governments and civil society. Similarly, there are actions which these groups can take to help investors support the achievement of the Goals. Below we provide recommendations for actions which investors and investor organisations can take, and also outline the role which other actors can play. Overall, when considering how investors could support the Global Goals, there is a need to avoid blanket responses and to understand the differences between investors, taking into account their motivations, size, time horizons, constraints and opportunities. Whilst we have made broad recommendations, when designing tools and initiatives to support investors in contributing to the Global Goals, it is important that these differences are taken into account.

## **Recommendations for investors and investor organisations**

- In order to contribute to the Global Goals, investors will need to conduct an analysis of the synergies between the Goals and their investment objectives for individual portfolios, and assess what action they can best take to support the Goals. Investors would benefit from the provision of tools and frameworks to help conduct this analysis, for example a framework showing how investors' current ESG activities may map against the Goals, or a guide on how to assess a potential investment's contribution to the Goals. There is a role for investor organisations to play in creating such tools and helping investors apply them to their individual portfolios. Investor organisations could also play a role in facilitating the sharing of information between investors about how they are considering the Goals in their own investment decisions, which would help other investors to also do this.
- Investors would benefit from more empirical evidence showing the impact of the Global Goals and sustainable development on their investments, and how supporting the Goals could benefit them. This could help to increase support from senior management for action on sustainable development, leading to greater allocation of resources and increased capacity for action on it. Investors could contribute to this by publishing any data they have on the long-term impacts of taking action on sustainability, and how these activities link to the Global Goals. Investor organisations have a role to play in disseminating information, particularly to senior staff in positions of leadership. It would also be helpful for investors to have more opportunities for learning about the impacts of the Goals and sustainable development on their investments, which investor organisations could support by providing trainings or seminars.
- This study shows that, in order to make informed decisions, investors need more information on companies' social and environmental impacts, and their contribution to sustainable development and the Global Goals. Investors could increase the available information by asking their investee companies to better measure their social and environmental impacts, and publish this information. Investor organisations could help investors do this by facilitating joint



communication with companies to encourage standardised disclosure across the board. The disclosure of data by companies would also be facilitated by co-ordinated regulation from governments, and investors could communicate their desire for such regulation to policy makers.

- Investors would also be helped by the existence of metrics and benchmarks to assess companies' activities. Investor organisations could work with academic and civil society experts to create metrics that measure companies' impact on the Goals, as a number of such organisations are already looking into this. Investors can help develop these metrics by communicating the type of information that would be most useful for them and support organisations creating metrics to obtain relevant information from companies.
- Investors also suggest that they would be better able to support the Goals if other actors in the investment chain, such as sell-side firms, utilised the SDG framework and provided SDG relevant tools and information. Both asset managers and asset owners have a role to play in asking for SDG related information from their service providers, and investor organisations can play a role in coordinating investor communication with these organisations, to ensure that the data provided is useful for investors across the board.
- For investors to evaluate their own contribution to the Global Goals there needs to be a clear assessment and reporting framework for them to use, and it would be helpful to many investors if such a framework was integrated with other existing initiatives, to avoid unnecessary reporting burdens. Regulators and investor organisations which ask for reporting should consider where they can integrate reporting on the Global Goals into existing reporting requirements. Investors who already have plans to report on their contribution to the Goals can help other investors do the same by sharing their reporting frameworks for others to use.
- There is also a significant role for clients and beneficiaries to play in encouraging institutional investors to engage with the Global Goals. Investors have experienced relatively little demand so far, meaning they lack the motivation and mandate to direct attention to the Goals. If clients and beneficiaries were to start asking questions about the Global Goals this could spur on action. Asset owners could indicate to their asset managers that they are interested in the Goals, and ask managers what action they are taking to support them. Investor organisations could play a role in facilitating this by providing asset owners with briefings about the Goals, and suggested questions to gauge asset managers' actions on the Goals. The Global Goals also provide investors with a good framework to engage with their clients and beneficiaries about ESG and sustainability issues, and investors should take advantage of this opportunity. Both asset owners and managers could actively seek the views of their clients and beneficiaries on the Global Goals through surveys or meetings. Investor organisations could play a role in facilitating this through providing forums for communication between groups, including between institutional asset owners and managers, and between individuals and institutional investors.
- In order for the investment community to play a meaningful part in contributing to the Sustainable Development Goals, the pool of investors who are prepared to address the Global Goals needs to expand beyond impact and sustainability focussed organisations. There needs to be more of a focus on the actions that mainstream investors can take, and how to facilitate this. Investment organisations with a wide membership have a particular role to play here by raising awareness and facilitating action amongst a broad range of their members. Investors also have a role to play in promoting the Global Goals to other investors, which they could do by sharing information about their actions around the Goals and the benefits they may see from this, and/or collaborating with other investors on engagement with companies and investment in thematic investment products. Investor organisations have a role to play in bringing investors together to communicate about, and act on, the Global Goals.



- Investors' contribution to the Global Goals would also be facilitated by engagement with the broader stakeholder community, including civil society organisations and public bodies. As outlined in *Transforming Our World: the 2030 Agenda for Sustainable Development*, the creation of partnerships between different stakeholders will be crucial to achieving the Global Goals. Investors and investor organisations can facilitate these partnerships by engaging with multi-stakeholder forums, for example the UK Stakeholders for Sustainable Development forum which brings together organisations working towards the Sustainable Development Goals in the UK, or the Global Commission on Business and Sustainable Development which is bringing together a range of stakeholders including businesses, investors, civil society, entrepreneurs and academics to support the Sustainable Development Goals. Appendix 1 provides a list of organisations which investors could work with to contribute to the Global Goals.

### **The role of other actors**

There is also a significant role for others actors, such as civil society, academic and government organisations, to play in facilitating investor action to support the Sustainable Development Goals. However, this is not examined in detail in this publication as it was not the focus of the study, and has already been explored to some extent by others. For example, the UNEP FI (2015) inquiry into the design of a sustainable financial system<sup>37</sup> explores policy options for a re-alignment of the financial system with the goals of sustainable development. It advances a framework for action which proposes policy packages for each of the major pools of assets and associated actors: banks, bonds, equities, institutional investors and insurance. In terms of institutional investors, the inquiry argues that policy interventions should focus on two main areas: aligning the design of investment systems with sustainability and reviewing market and public incentive structures. The inquiry cites short-termism and excessive leverage as significant barriers to the integration of longer-term sustainability risks in financial decision-making. Similarly, Aviva Investor's 2014 report *A Roadmap for Sustainable Capital Markets*<sup>38</sup> highlights the crucial role governments

can play, including promoting capital markets regulation that integrates sustainable development in the mandates of supervision agencies, and establishing legislative frameworks for investors to report on sustainability.

Nevertheless, the information collected in this study has produced a small number of recommendations for other actors, including government, academic and civil society organisations:

- Investors feel they lack communication channels with government and policy makers, and have not yet received much information on governments' plans around the Goals. Governments need to send clear policy signals to investors, so that investors can make well-informed decisions about how to support the Goals. Policy makers also need to work closely with investors to understand their needs in order to design interventions that work for investors, as well as achieving their own policy objectives. To this end, policy makers need to create more opportunities for interaction with investors, as many investors feel that there is a lack of forums for communication with policy makers. This will enable investors and governments to better work together to achieve common objectives.
- Investors also commented that the provision of incentives from governments would allow them to take more action to contribute to the Global Goals. As well as specific incentives around the Goals, wider incentives are needed to promote sustainability, and move away from the short-term focus which many businesses and companies suffer from. For example, the Kay Review suggests that business leaders could be provided with long-term performance incentives in the form of "company shares to be held until after the executive has retired from the business."<sup>39</sup>
- Our survey revealed that investors are particularly hampered by a lack of information on companies' environmental and social impacts, and the metrics for measuring these. Civil society organisations and academics could assist investors by conducting

37 UNEP FI (2015) *The Financial System We Need: Aligning the Financial System with Sustainable Development*, [http://www.unep.org/greeneconomy/financialinquiry/Portals/50215/Inquiry\\_summary\\_final%20June%202014.pdf](http://www.unep.org/greeneconomy/financialinquiry/Portals/50215/Inquiry_summary_final%20June%202014.pdf)

38 Aviva (2014) *A Roadmap for Sustainable Capital Markets* <https://sustainabledevelopment.un.org/content/documents/10574avivabooklet.pdf>

39 Department for Business, Innovation and Skills (2011) *Kay Review of UK equity markets and long-term decision making* p.32 <https://www.gov.uk/government/consultations/the-kay-review-of-uk-equity-markets-and-long-term-decision-making>

research on companies' environmental and social impacts, and create metrics to analyse these. Many investors also lack expertise on the development issues that the Goals seek to address, so there is a role for those with expertise in this area to share information and help investors understand the contribution they can make to the Goals.

- Investors said that they need dedicated research which shows the positive financial and economic impacts of achieving the Goals, in order to dedicate resources to acting on the Goals, so academics could play a role by conducting this research.

- Civil society has an important role to play in raising public awareness about the Goals, so that investors' beneficiaries are aware of the Goals, and are able to put pressure on investors and other stakeholders to take action.



Photo credit: F J Mountford (2010)



# Appendix 1

## Organisations supporting investors' contribution to the Sustainable Development Goals

The organisations listed below assist investors and other actors to channel investments toward addressing sustainability issues and achieving the Sustainable Development Goals. The multi-stakeholder partnerships which many of these organisations promote will be crucial to achieving the Goals. The list below is not exhaustive but highlights some of the key organisations which we are aware are facilitating investors' contribution to the Global Goals.

**The Bretton Woods II** project aims to demonstrate how investments in social impact and development can improve development outcomes and increase long-term investment returns by reducing global volatility. It encourages institutional investors to dedicate at least 1% of their assets or profits to social impact investment, development finance, or civil society support.

**Ceres** is a non-profit organisation which mobilises a network of investors, companies and public interest groups to encourage the adoption of sustainable business practices and build a sustainable global economy. Investors can work with businesses and advocacy groups in the Ceres Coalition to advance corporate sustainability

The **Charities Responsible Investment Network** is a UK-based network of foundations and operational charities who are interested in Responsible Investment. Network members work with each other and its secretariat, ShareAction, to promote Responsible Investment and integrate ESG concerns in their own activities. One of the topics the Network works on is sustainable development through Responsible Investment.

**The Global Commission on Business and Sustainable Development** aims to articulate and quantify the economic case for businesses to advance the SDGs by 2030. The Commission is bringing together international leaders from business, labour, financial institutions and civil society to produce a report outlining new business and financial models, as well as market opportunities for companies who are invested in achieving sustainable development. The report will be presented at the World Economic Forum in 2017.

The **Global Sustainable Investment Alliance** is a collaboration of membership-based sustainable investment organisations around the world. Part of their vision is a world where sustainable investment is integrated into financial systems. Their members include the **Association for Sustainable and Responsible Investment in Asia, European Sustainable Investment Forum, Responsible Investment Association Australia, UK Sustainable Investment and Finance Association, The Forum for Sustainable and Responsible Investment, and Dutch Association of Investors for Sustainable Development**. A number of these organisations are helping their members to take action around the Sustainable Development Goals.

The **Global Investor Coalition on Climate Change** is a joint initiative of four regional climate change investor groups, which have come together to provide a global platform for dialogue between and amongst investors and governments on international policy and investment practice related to climate change. Members of the Global Investor Coalition on Climate Change include the **Institutional Investors Group on Climate Change, the Investor Network on Climate Risk, the Investor Group on Climate Change, and the Asia Investor Group on Climate Change**.

The **Interfaith Centre on Corporate Responsibility** (ICCR) is a US-based coalition of nearly 300 faith and values-driven organisations who see their investments as a powerful catalyst for social change. ICCR members and staff engage with hundreds of multinational companies annually to promote sustainable business practices.

The **Investment Leaders Group** (ILG) is a global network of pension funds, insurers and asset managers committed to advancing the practice of responsible investment. Its mission is to help shift the investment chain towards responsible, long-term value creation, such that economic, social and environmental sustainability are delivered as an outcome of the investment management process as investors go about generating robust, long-term returns. It is a voluntary initiative, driven by its members, facilitated by the Cambridge Institute for Sustainability Leadership, and supported by academics in the University of Cambridge.



The **Principles for Responsible Investment Initiative** is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its aim is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. Through the PRI Initiative investors can collaborate and learn with their peers about the financial and investment implications of ESG issues.

**UK Stakeholders for Sustainable Development** is a multi-stakeholder network that brings together organisations from the private, public and voluntary sectors to help understand their role in delivering the SDGs and to work collectively to drive sustainable development in the UK. It provides a platform for organisations to work together on sustainable development challenges, acts as a staging post for members' sustainable development initiatives, and communicates with the UK government about members' priorities.

**UNEP Finance Initiatives** (UNEP FI) is a global partnership between the United Nations Environment Programme and the global financial sector. UNEP FI promotes the integration of sustainability concerns into the mainstream financial system and works with its members to promote this. UNEP FI has recently published a report on how to align the financial system with sustainable development.

**UN Global Compact** is a voluntary initiative based on CEO commitments to implement universal sustainability and take steps to support the UN Goals. The UN Global Compact supports companies to do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and take strategic actions to advance broader societal goals, such as the Sustainable Development Goals, with an emphasis on collaboration and innovation.

**World Business Council for Sustainable Development** is a CEO-led organization that galvanizes the global business community to create a sustainable future for business, society and the environment. Members are helped to develop tools and capacity for integrating sustainability in their business, collaborate with their peers, and influence policy makers.

**World Economic Forum, Young Global Leaders (YGLs), Sustainable Development Goals Initiative.** The Initiative's objectives are to publicise and promote the goals through YGLs' networks and social media, to support the business case for the goals, and to act as data ambassadors in countries and sectors by calling for Open Data on the Global Goals. This initiative has a dedicated sub-stream focused on investors and the SDGs.



Photo credit: Di Jiang (2013)



# Appendix 2

## Survey Questions

### Institutional Investors and the Sustainable Development Goals – A Survey

#### 1. Please complete the following information to enable us to correctly attribute your response:

|  |
|--|
| Name of person filling in this survey: |
| Job title:                             |
| Full title of organisation:            |
| Country headquarters:                  |
| Contact email address:                 |
| Contact phone number:                  |

#### 2. Please indicate whether your organisation is:

|                           |                          |
|---------------------------|--------------------------|
| a.) An asset owner        | <input type="checkbox"/> |
| b.) An investment manager | <input type="checkbox"/> |

#### 3. To what extent does your organisation agree with the following statements?

|  | Strongly Agree           | Agree                    | Neither Agree nor Disagree | Disagree                 | Strongly Disagree        |
|--|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|
| Senior leadership in our organisation is aware of the Sustainable Development Goals.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Senior leadership in our organisation recognise the Sustainable Development Goals as relevant to our whole organisation.                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Senior leadership in our organisation recognise the Sustainable Development Goals as relevant to the investment arm of our organisation. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| As an organisation we have started making plans on how to respond to the Sustainable Development Goals.                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| We will increase our work around the SDGs each year until 2030.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting the SDGs aligns with our fiduciary duties.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Weak progress towards the SDGs represents a material risk for our organisation   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Aligning our investment practices with the SDGs can create opportunities to increase our investment returns.                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Our beneficiaries or clients want us to support the SDGs.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| Action by our organisation to support the SDGs will bring us reputational benefits.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |



**4. The table below lists all of the 17 Sustainable Development Goals. For each Goal, please indicate whether you believe that working toward achieving the Goal has ‘high’, ‘medium’ or ‘low’ potential to help meet your organisation’s investment objectives.**

|   | High potential           | Medium potential         | Low potential            |
|---|--------------------------|--------------------------|--------------------------|
| Goal 1: End poverty in all its forms everywhere   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 3: Ensure healthy lives and promote well-being for all at all ages   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 5: Achieve gender equality and empower all women and girls   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 6: Ensure availability and sustainable management of water and sanitation for all  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 10: Reduce inequality within and among countries   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 12: Ensure sustainable production and consumption patterns   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 13: Take urgent action to combat climate change and its impacts  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |



5. The 17 Sustainable Development Goals are listed below. You can access additional information on the targets associated with each Goal at the Sustainable Development Knowledge Platform. Many investors are already contributing to sustainability areas covered by the Goals (through, for example, engaging with companies on ESG issues, voting in favour of ESG resolutions, allocating capital to investments that promote sustainable development). Please tick the Goals you are currently contributing to (column 1) and those you intend to contribute to in the next 15 years (column 2).

|   | Currently taking action on | Plan to take action in next 15 years |
|---|----------------------------|--------------------------------------|
| Goal 1: End poverty in all its forms everywhere   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture  | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 3: Ensure healthy lives and promote well-being for all at all ages   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all  | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 5: Achieve gender equality and empower all women and girls   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 6: Ensure availability and sustainable management of water and sanitation for all  | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all  | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 10: Reduce inequality within and among countries   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 12: Ensure sustainable production and consumption patterns   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 13: Take urgent action to combat climate change and its impacts  | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development   | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            | <input type="checkbox"/>   | <input type="checkbox"/>             |
| Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development   | <input type="checkbox"/>   | <input type="checkbox"/>             |

6. If possible, please provide a couple of examples of your current activities (this may include webpage links).

7. Please indicate what strategy you are most likely to use in order to contribute to the Sustainable Development Goals. If your organisation does not intend to contribute to the Sustainable Development Goals, please go to question 8.

|   | Will definitely use      | Likely to use            | Unlikely to use          | Will definitely not use  | Not applicable           |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Allocate capital to investments that promote sustainable development.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Engage individually with investee companies on environmental, social and corporate governance (ESG) issues incorporated in the SDG framework. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Work in collaboration with other investors to engage with companies on ESG issues incorporated in the SDG framework.                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Encourage investee companies to publicly report on the linkage between their business strategy and their contribution to the SDGs.            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Include ESG issues incorporated in the SDG framework in our organisation's voting policy.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Support regulatory reforms that promote the SDGs.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Refer to ESG issues incorporated in the SDG framework in the mandates with asset managers.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Adopt a proactive approach to monitoring asset manager performance on SDG themes.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Require asset managers to produce reporting on how their decisions and engagement initiatives support the SDGs.                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Work with other investors towards the achievement of the SDGs through global organisations.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other (please specify)...   | <div></div>              |                          |                          |                          |                          |



8. Does your organisation intend to seek beneficiaries'/clients' views on the Sustainable Development Goals?

- a.) Definitely. ☐
- b.) Possibly. ☐
- c.) No. ☐

If you have answered a.) or b.) to the question above, please provide further details regarding your intentions to seek beneficiaries'/clients' views on the Sustainable Development Goals.

9. Will you include information about your organisation's impact on and engagement with the Sustainable Development Goals as part of your regular reporting?

- a.) Definitely. ☐
- b.) Possibly. ☐
- c.) No. ☐

Please provide further information below.

**10. Using the scale below, please identify the significance of the following barriers to your organisation focusing on the Sustainable Development Goals.**

|   | Not a<br>barrier<br>1 | 2 | 3 | 4 | Significant<br>barrier<br>5 | Not<br>Applicable |
|---|-----------------------|---|---|---|-----------------------------|-------------------|
| Internal capacity   | 1                     | 2 | 3 | 4 | 5                           |                   |
| Fiduciary duty  | 1                     | 2 | 3 | 4 | 5                           |                   |
| Short-term investment objectives                                      | 1                     | 2 | 3 | 4 | 5                           |                   |
| Lack of client/beneficiaries interest                                 | 1                     | 2 | 3 | 4 | 5                           |                   |
| Time constraints  | 1                     | 2 | 3 | 4 | 5                           |                   |
| Lack of relevant data   | 1                     | 2 | 3 | 4 | 5                           |                   |
| Insufficient investee company transparency on ESG issues              | 1                     | 2 | 3 | 4 | 5                           |                   |
| Wide ranging nature of the SDG framework                              | 1                     | 2 | 3 | 4 | 5                           |                   |
| Lack of appropriate investment products                               | 1                     | 2 | 3 | 4 | 5                           |                   |
| Low opportunities for investment returns on issues linked to the SDGs | 1                     | 2 | 3 | 4 | 5                           |                   |
| Limited materiality of issues linked to the SDGs                      | 1                     | 2 | 3 | 4 | 5                           |                   |
| Other (please specify)  |                       |   |   |   |                             |                   |

**11. Please list three actions (for your organisation or others) that could break down barriers to investors to advance the Sustainable Development Goals**

|    |  |
|----|--|
| 1. |  |
| 2. |  |
| 3. |  |



12. If your organisation intends to support the Sustainable Development Goals, please indicate how likely it is to use the following tools?

|  | Will definitely use      | Likely to use            | Unlikely to use          | Will definitely not use  |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Third party research and investor briefings on ESG issues related to the SDGs.               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Collaborative engagement with investee companies on ESG issues related to the SDGs.          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Accreditation standards for companies designed to show how they contribute towards the SDGs. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Benchmarking of companies' contribution to the SDGs.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Collaborative engagement with policy makers.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other (please specify)   | <input type="text"/>     |                          |                          |                          |

13. If you intend to work with other investors or organisations towards the achievement of the SDGs, please specify which organisations or initiatives you will work through.

14. Are you aware of your government's response to the Sustainable Development Goals? Please provide details in the space below.

15. Are you currently working in collaboration with public bodies and/or civil society organisations on ESG issues that are relevant to the SDGs?  
If yes, please provide details of the initiatives you are involved in

16. If you answered "no" to question 15, would you be willing to work with public bodies and/or civil society organisations on the achievement of the Sustainable Development Goals?

# Appendix 3

## List of Interviewees

**Jennifer Anderson** – Responsible Investment Officer, The Pensions Trust

**Joe Dashley** – UK Stakeholders for Sustainable Development Facilitator, WWF

**Helen Dennis** – Senior Adviser, Poverty & Inequality, Christian Aid and Co-Chair, BOND Beyond 2015 UK

**Emily Kaiser** – Senior Sustainability Analyst, Calvert Investments

**Jonathan Kellar** – Engagement Manager, Global Engagement Services

**Amanda Mackenzie OBE** – Executive Advisor, Project Everyone and Chief Marketing Officer, Aviva

**Samuel Mary** – Senior Sustainability Research Analyst, Kepler Cheuvreux

**Stephen Miles** – Head of Equities, Willis Towers Watson

**Fergus Moffatt** – Programme Director and Head of Public Policy, UK Sustainable Investment and Finance Association

**Clarisse Simonek** – Programme Manager, Investment Leaders Group, Cambridge Institute for Sustainability Leadership

**Jane Welsh** – Senior Investment Consultant, Willis Towers Watson

**Chris West** – Partner, Sumerian Partners

In addition, one interviewee wished to remain anonymous







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