

# WHAT DO THE UN SUSTAINABLE DEVELOPMENT GOALS MEAN FOR INVESTORS?





# **THE GLOBAL GOALS**

For Sustainable Development

[www.sustainabledevelopment.un.org/sdgs](http://www.sustainabledevelopment.un.org/sdgs)

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In September 2015, 193 governments adopted the Sustainable Development Goals (SDGs) to guide international cooperation in pursuit of ambitious quantitative goals. The SDGs are a set of 17 goals (Figure 1) for global development, a blueprint for significantly changing the world by 2030.

The SDGs provide a definitive framework for sustainable development. They are for all countries, not just the least developed. They resulted from a process that was more inclusive than ever in the history of the UN, with governments, business investors, civil society and citizens involved from the outset to develop a thorough and democratic set of development objectives.

## THE GLOBAL GOALS For Sustainable Development



“At its essence, sustainability means ensuring prosperity and environmental protection without compromising the ability of future generations to meet their needs. A sustainable world is one where people can escape poverty and enjoy decent work without harming the earth’s essential ecosystems and resources; where people can stay healthy and get the food and water they need; where everyone can access clean energy that doesn’t contribute to climate change; where women and girls are afforded equal rights and equal opportunities.”

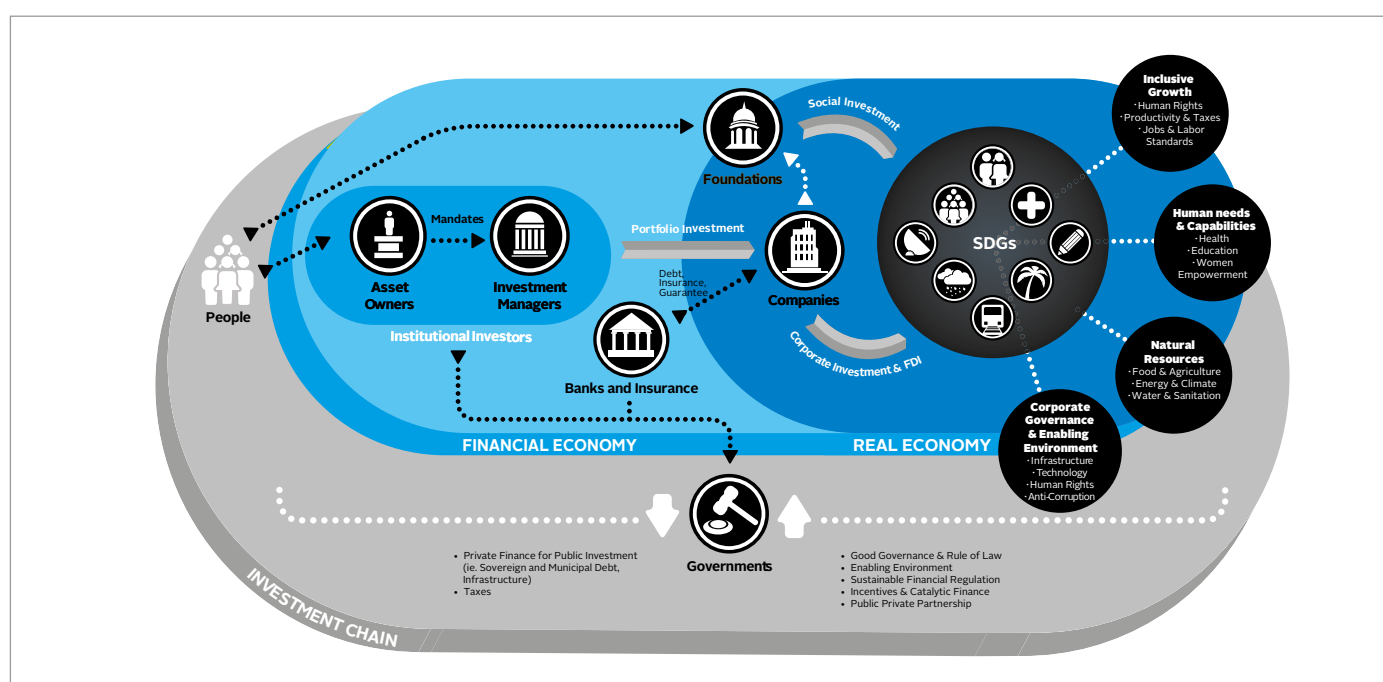
UN Secretary-General Ban Ki-Moon

## FINANCING SUSTAINABLE DEVELOPMENT

Implementation of the SDG's will require collaboration between all those that contribute to and benefit from economic development. Governments have responsibility to lead the way, at the same time, the private sector will be indispensable in achieving the SDGs.

UNCTAD estimates that globally, the level of investment needed to achieve the SDGs will be \$5 to \$7 trillion per year, on average, over the period 2015-2030. While public funding and development assistance remains important, the scale of the investment challenge requires new flows of private capital (Figure 1').

**Figure 1: Private Sector Investment and Sustainable Development**



Investors have an important role in promoting the reorientation of financial markets to support the goals through improved transparency and innovative financing mechanisms. The newly adopted Goals provides a timely chance to reshape the trajectory of lives globally and create new market opportunities. There are tremendous opportunities to provide solutions to global challenges. Its underpinning assumption is that the private sector can be mobilized to action if they better understand the opportunities on the other side of global risks and the enormous growth potential the SDGs present.

Financing the SDGs will require a shift in current business models to move towards investing in sustainable solutions. Initiatives that will support the SDGs will create a number of long-term investment opportunities. The Addis Ababa Action Agenda on financing for development recognizes this

important opportunity and suggests numerous pathways. The UBS 'Sustainable Investing' report recommends investors should focus on longer-term investments that focus in on enduring and undisputed structural trends<sup>2</sup>.

**“We need to build a new system – one that delivers sustainable investment flows, based on both resilient market-based, and robust bank-based, finance. We need finance for the long term”.**

Mark Carney, Governor of the Bank of England

<sup>1</sup> UN Global Compact, UNCTAD, UNEPFI, PRI. [Private Sector Investment and Sustainable Development](#) (2016)

<sup>2</sup> UBS. [Sustainable Investing Report: In Challenge Lies Opportunity](#) (2016)

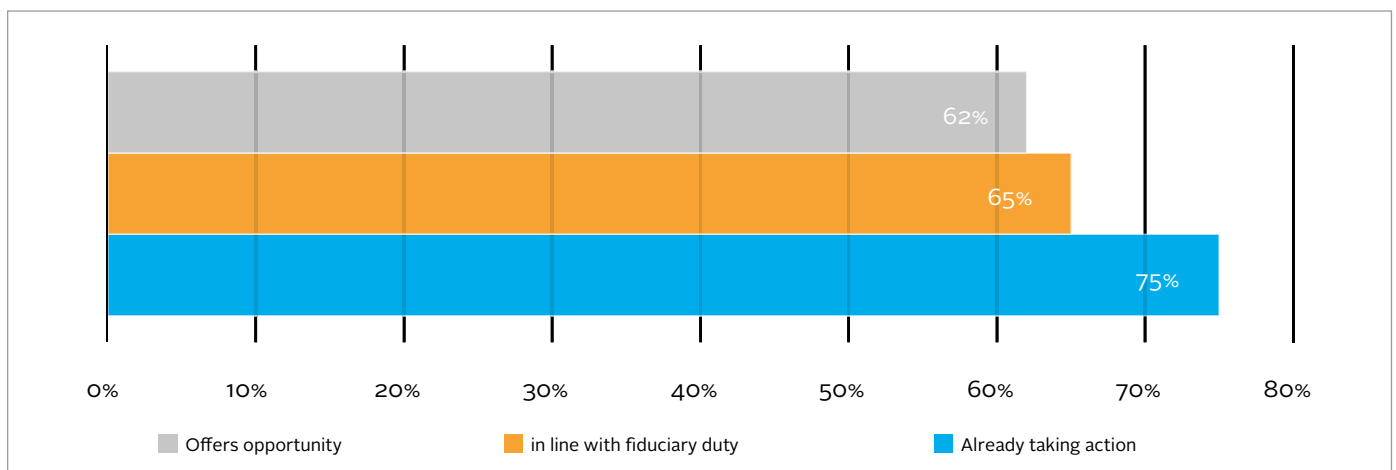
## INVESTORS, ESG AND THE SDGS

While the scale and scope of the SDGs is unprecedented, the fundamental ways that investors can contribute are rooted in existing practices. The six principles of the PRI offer a foundation for action on environmental, social and governance issues. Many of the SDGs can be enhanced through improved ESG outcomes. For example, climate change, water quality and availability, gender equality, ESG disclosure and sustainable cities are areas that investors and PRI are already making a contribution.

Building on existing practices, there is an opportunity for institutional investors to contribute to the SDGs through both asset allocation, investment decisions and company engagement as well as the development of new financial tools and products..

A 2015 survey of investors found that 84% of respondents would allocate capital to investments supporting the SDGs, and 89% would support regulatory reforms that promote the SDGs. 65% said that supporting the SDGs aligns with their fiduciary duty and 75% noted they were already taking some form of action (Figure 2).<sup>3</sup>

**Figure 2: What do Investors think of the SDGS**



“The Sustainable Development Goals provide a focus for the world’s efforts to meet global challenges including climate change, water management and sanitation and equitable education. The opportunity clearly exists for the private sector to create and commercialise sustainable solutions at scale.”

Stuart Gulliver, Group Chief Executive, HSBC Holdings plc

Even though there is willingness to support the SDGs from investors, there are also barriers that hinder further uptake. Some of these key constraints include inadequate risk-return profiles, lack of data and insufficient investee company transparency on ESG issues.<sup>4</sup> The results of the survey noted that 66% of respondents believed the main barrier is the lack of data demonstrating how the goals are relevant to investors. 55% identified insufficient transparency by investee companies and 43% found a lack of internal capacity as a barrier.

<sup>3</sup> Share Action. [Transforming Our World Through Investment](#) (2016)

<sup>4</sup> UNCTAD (2014) *Investing in The SDGs: An Action Plan for promoting private sector contributions*

“The world has never before been united by a set of global goals on poverty, inequality, injustice and climate change. Not achieving these Goals would be the biggest market failure of our time. Financial markets must play a vital role in creating a sustainable future for us all.”

Mark Wilson, Chief Executive Officer, Aviva Plc

## WHAT TO DO NEXT

### LEARN:

Investors can find out more about the SDG's on the following page.

### COMMIT:

When reflecting on the role of investors, a survey of over 1,000 chief executives of UN Global Compact companies found 88% believed that greater integration of sustainability issues in financial markets will be essential to making progress, but only 10% cited pressure from investors as a top three factor driving them to take action on sustainability.<sup>5</sup> Publicly committing to integrate the objectives of the SDGs into investment strategy would send a strong market signal.

### COLLABORATE:

Globally investors are already working to address ESG objectives tied to the SDGs, such as gender, climate and transparency. To scale this work, investors need to take action internally as well as engage peers, companies, NGOs, academics and policymakers.

### ENGAGE:

Signatories are encouraged to take SDG-focused action in the following areas:

- Define and further develop the investment case for the SDGs.
- Find synergies between the SDGs and investment objectives.
- Develop innovative financial instruments to finance SDG related objectives.
- Measure impact and report on the SDGs.
- Engage companies on improving transparency and practices related to the SDGs.
- Encourage policymakers to create an enabling environment for investor action.
- Work toward a more resilient financial system that better contributes to sustainable economic development.

“If, as a leader, you are not saying, ‘I have a responsibility to promote longer term sustainability’, then we have failed ourselves and society. We are walking uncharted territory, but the time for brave action is now.”

Nicky Newton-King, Chief Executive Officer, Johannesburg Stock Exchange

<sup>5</sup> [The UN Global Compact-Accenture Strategy CEO Study](#). 2016

## HOW CAN PRI HELP YOU?

In an effort to assist investors and other stakeholders to shape business models, products, services and partnerships necessary to capture these SDG-driven opportunities, the PRI will launch a number of SDG-focused projects aimed to educate, inspire and provide practical tools for financial innovation. To better understand investors needs, interests and opportunities the PRI needs to hear from signatories. Please share your ideas, plans and feedback with [Kris.Douma@unpri.org](mailto:Kris.Douma@unpri.org).

## RESOURCES

- Aviva Investors. [Mobilising finance to support the Global Goals for sustainable Development](#) (2016)
- Calvert–Serafeim Series. [The Role of the Corporation in Society](#) (2015)
- Deloitte. [Social Progress in 2030- Developing beyond Economic Growth](#) (2015)
- GRI, UN Global Compact & WBCSD. [SDG Compass](#) (2015)
- Institute for Human Rights and Business. [Mind the Gap](#) (2015)
- MSCI. [Toward Sustainable Impact through Public Markets](#) (2016)
- Stakeholder Forum. [Sustainable development goals and integration: Achieving a better balance between the economic, social and environmental dimensions](#) (2015)
- PWC. [Engaging with the Sustainable Development Goals](#) (2015)
- UNSDSN. [Investment Needs to Achieve the Sustainable Development Goals](#) (2015)
- UNSDSN. [Indicators for Sustainable Development Goals](#) (2015)
- UBS. [Sustainable Investing Report: In Challenge Lies Opportunity](#) (2016)
- University of Cambridge Institute for Sustainability Leadership. [In Search of Impact: Measuring the full value of capital](#) (2016)
- UN Global Compact, UNCTAD, UNEPFI, PRI. [Private Sector Investment and Sustainable Development](#) (2016)
- UN Global Compact & KPMG. [SDG Industry Matrix: Financial Services](#) (2016)
- UN Inter-Agency Task Force on Financing for Development. [Inaugural 2016 Report of the Inter-agency Task Force on Financing for Development – Addis Ababa Action Agenda: Monitoring commitments and actions](#) (2016)
- [UN-Business Action Hub](#)<sup>6</sup>

<sup>6</sup> This platform provides a forum for the private sector and UN agencies to share information and develop partnerships to take action to advance the SDGs. The Hub also provides a platform for companies to post their commitments and goals to advance the SDGs.

## The Principles for Responsible Investment (PRI) Initiative

The PRI Initiative is a UN-supported international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The PRI Initiative has quickly become the leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision making and ownership practices.

More information: [www.unpri.org](http://www.unpri.org)



## The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

### United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: [www.unepfi.org](http://www.unepfi.org)



### United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: [www.unglobalcompact.org](http://www.unglobalcompact.org)

