

# ALIGNMENT WITH THE UN'S SUSTAINABLE DEVELOPMENT GOALS

By Eric Rice, PhD and Campe Goodman, CFA

In September 2015, more than 190 countries adopted the United Nations' (UN's) 2030 Agenda for Sustainable Development, including 17 Sustainable Development Goals (SDGs). These objectives aim to increase global economic growth and reduce inequality, while protecting the environment for future generations. This is a massive task, requiring an estimated US\$ 5 trillion to US\$ 7 trillion per year.<sup>1</sup>

We believe that impact investors can play a central role in achieving the UN's SDGs by taking advantage of widespread opportunities to match purpose with profit.

During the development of our first impact-investing strategy in 2012, we began researching companies seeking to address large-scale social and environmental challenges in differentiated and innovative ways. We consulted with other impact investors, industry analysts, social entrepreneurs

and external advisors. We read reams of published research and literature reviews, and travelled the world listening and learning. Over the following years, we narrowed our focus to the impact themes that make up the strategy and our proprietary impact opportunity set (see Figure 1). Later, we launched an impact bond approach, modelled on our equity strategy.

When the UN SDGs were published in 2015, we were delighted to see how well our themes aligned. In our view, this overlap highlights our extensive research while emphasising the breadth and complexity of the challenges. The tick marks in Figure 2 denote where our impact equity and bond approaches intersect with the SDGs.

## HOW IMPACT INVESTING CAN HELP ACHIEVE THE SDGS

We believe the private sector has the

ability to deliver many of the market-based solutions needed to address the SDGs. Our focus is on the impact challenges where social enterprises can make the most difference. We often find that a company's impact case aligns with more than one SDG, allowing us to address some goals as secondary objectives. For example, we find that:

- Health-services and health-science companies in our opportunity set seek to address Goal 3.
- Sustainable-energy companies we invest in help meet Goals 7 and 13.
- A private education company that helps meet Goal 4 has a student body made up mostly of women and girls, which helps to address Goal 5.
- Water-treatment and wastewater-management businesses we invest in seek to provide solutions for Goals 6, 11 and 12.

Figure 1: Focus Impact Themes



### LIFE ESSENTIALS

- Sustainable agriculture and nutrition
- Health
- Clean water and sanitation
- Affordable housing



### HUMAN EMPOWERMENT

- Education and jobs training
- Financial inclusion
- Digital divide
- Safety and security



### ENVIRONMENT

- Alternative energy
- Resource stewardship
- Resource efficiency

As at April 2019 | For illustrative purposes only | Themes presented may change over time. There is no guarantee that an approach will have all of the characteristics described above.

Source: Wellington Management

Figure 2: How we believe our impact approaches are aligned with the UN SDGs



Sources: UN.org, Wellington Management | For illustrative purposes only

We believe that bridging the digital divide and expanding financial inclusion are critical pathways for reducing poverty, enhancing gender equality and reducing inequalities (Goals 1, 5 and 10, respectively). For example, we own a Bangladeshi telecommunications company providing poor rural women with jobs selling products to communities that would probably otherwise lack internet access or mobile phones. In our view, this firm is expanding the digital universe while promoting the advancement of women and the poor.

But simply being aligned with one or more of our themes is not enough to be considered an impact investment. For each company, we also assess its additionality – its impact should not easily be achieved or replicated by other means (such as government spending).

#### LOOKING TOWARDS THE FUTURE

Today, the SDGs have become a common framework for many investors focused

on sustainable investing. We welcome the increased visibility and sense of urgency for impact they have brought. For some goals, the investable universe in publicly listed equities is small or non-existent, because the necessary solutions don't fit with a marketable product or service. Guided by the UN's visionary SDGs, we aim to constantly learn and adapt as we seek to deliver attractive financial returns by investing

in companies working to solve big global problems. «

1 United Nations Conference on Trade and Development (2017 estimates)

**This article was written by Eric Rice, Portfolio Manager, Global Impact and Campe Goodman, Portfolio Manager, Global Impact Bond, Wellington Management.**

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