About the Sustainable Development Goals

In 2015, a few months before the Paris Agreement was signed, the Sustainable Development Goals (SDGs) were designed by the United Nations. Signed by 193 countries in September 2015, they represent 17 global priorities – covering social, environmental and economic issues – that need to be achieved by 2030 for the entire world.

Starting with the UN Global Compact in 2000, the United Nations, and notably its Secretary General Kofi Annan, shifted their development action plans towards a set of 3 actors: States, Companies and Investors. This model was further developed for environmental action in 2014 during UN deliberations under the supervision of UN Secretary-General Ban Ki-moon. The Paris Agreement, signed the following year, uses this same model.

Why this study?

In the responsible investment world, the model has historically been developed around ESG dimensions (Environment, Social and Governance). In the context of the UN new emerging paradigm, it is thus interesting to study whether the SDGs have been integrated into investors’ strategies and in what way. This study therefore focuses on the 228 European Asset Owners that had signed the PRI – the world’s leading proponent of responsible investment – by December 2018. More specifically, these Asset Owners, were chosen out of the 1,090 European Asset Owners and Asset Managers, for two reasons. To begin with, they are in a good position to orientate Asset Managers towards integrating broader objectives in their investment policy. Furthermore, they have a longer investment horizon, which is more naturally aligned with the SDGs’ timeframe.

1 https://www.unpri.org/pri
Executive summary

- A MAJORITY OF EUROPEAN ASSET OWNERS COMMUNICATES ON SDGs

A little more than half (52%) of all European Asset Owners (AOs) have started communicating on SDGs, and they represent 86% of the total Assets under Management (AuM) of the panel. The largest AOs seem thus more aware of SDGs.

- CLIMATE CHANGE IS THE MOST TARGETED SDG

44 AOs (37% of those aware of SDGs) choose to focus on specific SDGs and the top priority SDGs are SDG 13 (Climate Action), SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities) and SDG 3 (Good Health and Well-being).

- LESS THAN A HALF OF THE PANEL USES SDGs AS REPORTING TOOL

In practice, only 57 AOs (48% of those aware of SDGs) use SDGs for reporting purposes and they are even fewer to publish quantitative impact indicators (21 AOs).

- MANY ASSET OWNERS CLAIM SDGs ARE STRATEGIC FOR INVESTMENTS

80 AOs (67% of those aware of SDGs) claim that SDGs guide their investment strategy but for 70 of them, the information disclosed is not complete enough to show that SDGs are more than a general orientation.

- ONLY 10 % GIVE SOME DETAILS ABOUT SDGs INTEGRATION

Only 10 AOs give some details on how SDGs are integrated in the investment strategy and two general approaches emerge:
- a contribution through a pocket of dedicated investments, and
- a general SDGs integration in investment decisions through specific investment policies.

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The Sustainable Development Goals as a framework for the European Union and private investments

Why do the SDGs represent a useful framework to transform Europe?

In adopting the Sustainable Development Goals (SDGs) countries around the world have affirmed the European agenda of social market economies with environmental sustainability. For this reason alone, the European Union can and should lead the implementation of the 2030 Agenda. Notably, European Commissioner President Elect Ursula von der Leyen has committed to make the SDGs a centrepiece of the European Semester – the process for coordinating macroeconomic policymaking across the Union. This may have profound implications also for investors.

European countries are the top performers on the SDGs, but none are currently on track to meet the goals. So, what needs to happen?

In working with countries around the world, we have learnt that achieving the SDGs requires six broad transformations covering: (i) education and inequalities, (ii) health and wellbeing, (iii) clean energy and industry, (iv) sustainable land-use and food systems, (v) sustainable cities, and (vi) harnessing information technologies for sustainable development. These transformations provide a useful framework for the EU and are in line with the vision laid out by von der Leyen.

Of greatest importance for the European Union are national and EU-wide strategies towards (i) zero-emission energy systems by 2050, (ii) higher education and innovation, particularly in Eastern and Southern Europe, (iii) investing in information and other modern technologies for sustainable development. These transformations provide a useful framework for the EU and are in line with the vision laid out by von der Leyen.

What is the role of investors in achieving the SDGs?

While poor countries will need to significantly increase public and private investments to achieve the SDGs, Europe will need to focus on redirecting existing investment flows. To do so, countries need to set medium-term strategies that will help investors identify longer-term investment priorities. The coordination of such strategies through the European Semester can harmonize investments and mobilize greater volumes of private finance.

Private investors should work with national governments and the Commission to support the design of the transformations. They need to help identify the investments that must be phased out, such as building new fossil fuel power plants, and identify new growth markets.

What are your reactions to the main findings of this Novethic study on the role of asset owners to achieve the SDGs?

This is another important Novethic study. It sheds light on two important issues. First, asset owners that have signed the PRI, including very large asset owners with more than €100bn AuM, are very aware of the SDGs. This is the good news.

Yet, this SDG awareness does not yet translate into business and investment decisions. Few asset managers have aligned their strategies with the SDGs or track their contribution to the goals. There also seems to be a lack of clarity on how the complex SDG agenda can be operationalized.

So having generated the awareness, we now need to work with asset owners on translating aligning their investment strategies with the SDGs. We are seeing growing demand from asset managers and asset owners. Great progress can be made quickly in integrating the SDGs into asset management.
Assessing SDG-awareness among asset owners

A majority of European Asset Owners communicate on SDGs

Among the 228 PRI signatories that were analyzed, 119 mention the SDGs in their public communication, signaling a first step towards SDG awareness and the necessity to communicate on them.

However, it does not mean that these institutions have all integrated the SDGs in their business, reporting or investment strategy.

The largest Asset Owners are more numerous to communicate on SDGs

Out of the € 8419 billion owned by the panel, € 7263 billion are owned by Asset Owners whose communication shows awareness of the SDGs.

It therefore seems that the largest European Asset Owners are conscious of the need to communicate on SDGs.

All 17 institutions, owning at least € 100 billion each, communicate on SDGs (11 of them are insurance companies).

Awareness of the SDGs then declines with AuM, remaining high for institutions owning between € 20 bn and € 100 bn. The higher frequency for institutions owning less than € 1bn is explained by the higher proportion of foundations and development finance institutions (30% in total), two types of institutions that tend to be more aware of SDGs as demonstrated in the following page.
There is a growing awareness of the SDGs among long term investors, especially the ones closest to the public field (such as development finance institutions and sovereign and government-controlled funds). However, more generally among Asset Owners, depending on the type of institution, their awareness of the necessity to position themselves on SDGs issues varies widely.

**Awareness is very unequal depending on the type of institution**

Development Finance Institutions (DFIs) are those who communicate most frequently on SDGs. They are indeed more sensitive the evolutions in global sustainable development frameworks due to their activity. They were among the first to adopt the SDGs in their strategy. However, they do not account significantly to the rate of SDG awareness in the panel since they only represent 3% of the organizations and 1% of total AuM.

Reserve - sovereign or government controlled funds, which represent 5% of all institutions in the panel and 15% of total AuM, are the second category with the highest frequency of communication on the SDGs. This is mainly because they are often closely linked to government policies.

On the other hand, more than two thirds of insurance companies communicate on the SDGs and they have a much more important position in the panel, since they represent 17% of the institutions and 51% of total AuM. Therefore in terms of AUM, they are the ones driving up the rate of awareness.

The majority of foundations and endowment funds communicate on the Global Goals and together represent 11% of all institutions and 0.3% of total AuM.

The remaining institutions are less likely to communicate on SDGs and represent 64% of the institutions and 33% of total AuM.

<table>
<thead>
<tr>
<th>Institution type (PRI categories)</th>
<th>Share of institutions aware of SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development finance institution</td>
<td>86%</td>
</tr>
<tr>
<td>Reserve - sovereign or government controlled fund</td>
<td>82%</td>
</tr>
<tr>
<td>Insurance company</td>
<td>76%</td>
</tr>
<tr>
<td>Endowment</td>
<td>67%</td>
</tr>
<tr>
<td>Foundation</td>
<td>60%</td>
</tr>
<tr>
<td>Non-corporate pension, superannuation, retirement, provident fund or plan</td>
<td>43%</td>
</tr>
<tr>
<td>Corporate pension or superannuation or retirement or provident fund or plan</td>
<td>38%</td>
</tr>
<tr>
<td>Other (Cooperative Bank, Trade Union, Labor sponsored Investment Fund...)</td>
<td>37%</td>
</tr>
</tbody>
</table>
Awareness is very unequal depending on the type of institution

- **Institution’s HQ country**

Both the number and the proportion of institutions aware of SDGs vary widely from one country to another, which complexifies the comparison.

However, the level of awareness seems higher for countries like the Netherlands and Sweden that combine a significant number and a high proportion of institutions sensitive to these issues. This trend is correlated with national and largely private initiatives supporting the SDGs, such as the SDGI Agenda initiative in the Netherlands and the Swedish Investors for Sustainable Development (SISD) in Sweden.

On the other hand, the level of awareness is particularly low in the United Kingdom, where institutions are numerous but relatively small (€16 bn in average).

As for the last five countries (Iceland, Czech Republic, Belgium, Liechtenstein and Guernsey), they are represented by a total 8 Asset Owners, none of which seems aware of the SDGs.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of institutions aware of SDGs</th>
<th>Share of institutions aware of SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>25</td>
<td>58%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>20</td>
<td>38%</td>
</tr>
<tr>
<td>Sweden</td>
<td>17</td>
<td>81%</td>
</tr>
<tr>
<td>France</td>
<td>12</td>
<td>67%</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>56%</td>
</tr>
<tr>
<td>Denmark</td>
<td>6</td>
<td>75%</td>
</tr>
<tr>
<td>Norway</td>
<td>6</td>
<td>67%</td>
</tr>
<tr>
<td>Finland</td>
<td>5</td>
<td>56%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5</td>
<td>42%</td>
</tr>
<tr>
<td>Italy</td>
<td>4</td>
<td>50%</td>
</tr>
<tr>
<td>Austria</td>
<td>3</td>
<td>75%</td>
</tr>
<tr>
<td>Spain</td>
<td>3</td>
<td>21%</td>
</tr>
<tr>
<td>Ireland</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>119</strong></td>
<td><strong>52%</strong></td>
</tr>
</tbody>
</table>

- **Awareness of SDGs per level of investment in emerging countries**

The more Asset Owners invest in emerging countries, the more they tend to communicate on SDGs. This is in part because those investing in emerging markets are mainly development finance institutions.
For the small number of investors who choose to focus on specific SDGs, priorities are clear

44 institutions choose to focus on the integration and/or the reporting of specific SDGs.

SDGs 13, 8, 11 and 3 appear as the most prioritized by the panel, i.e. those chosen by Asset Owners to be integrated into their strategies.

This picture is a good way to understand how different could be the prioritization from an asset owner to another one.

Climate Change (SDG 13) is the favorite for 34 institutions. Between 20 and 23 choose to give more importance to Decent work and economic growth (SDG 8), Good health and well being (SDG 3) and Sustainable cities (SDG 11).

On the contrary Reduced inequalities (SDG 10), Quality Education (SDG 4) as Life below water (SDG 14) or Life on Land (SDG 15) are less popular. For the last two ones, it’s a real issue to see so few investors claiming to target biodiversity issues.
These engagements are examples found in the reporting done by Asset Owners about SDGs

- Exclusion of investments in thermal coal or oil sands
- Membership in the Institutional Investors Group on Climate Change (IIGCC), a forum for investors to collaborate and engage on climate change risks.
- Offering a special type of insurance to cover the costs of health care for anyone who is eligible for this type of insurance under Dutch law.
- Favoring the funding of renewable energy projects
- Support for transitioning to a “low-carbon” economy, aligned on the 2°C trajectory of the Paris Agreement.

- Engagement with companies in order “to promote decent working conditions, protect workers’ rights and promote a safe and secure work environment, and combat forced labour, child labour, modern slavery and trafficking.”
- Signing of the UNPRI Investor statement for alignment of sustainability requirements in the textile sector (SDG 8)

- Property companies evaluated against the Global Real Estate Sustainability Benchmark (GRESB), which analyses sustainability in the real estate sector globally.
- As a builder and property owner, aim to use ecological and economic resources with maximum efficiency and to make an active contribution to sustainable urban development.
- Supporting infrastructure projects that benefit the general public. For instance, participation in a company that finances, builds and operates fibre optic networks.
- Financing of neighborhood rehabilitation and construction projects to boost the economy and revalorize local areas.

- Exclusion of companies active in tobacco or cannabis industry
- Signing of the UN PRI Tobacco Pledge
- Commitment to raise societal awareness of the social and economic consequences of longer life expectancy. In parallel, commitment to actively address these challenges by supporting customers in preparing ahead of time, so they can lead a self-determined life.

The Global Compact 2018 SDGs Priority Ranking

The priority ranking presented above echoes other existing rankings that are based on a larger audience of investors and economic actors.
The Global Compact released a ranking of the SDGs prioritized by members in 2018, based on a panel of companies as well as investors. The results are coherent with our findings.
The top 6 SDGs (in order of decreasing importance) are SDG 8, SDG 5, SDG 3, SDG 4, SDG 12 and SDG 13. Much of the SDGs composing the Top Priority Group in our research are also given greater importance in their ranking.
The difference in priority for SDG 11 Sustainable Cities and Communities is due to the profile of these Asset Owners who invest in long-term assets such as real estate.
Putting SDGs into practice

The emphasis will now be put on the investors who are aware of the SDGs and chose to communicate on them, and more precisely, how those investors integrate the SDGs in their strategy on a practical level.

**SDGs are slowly emerging in investors’ reports**

57 institutions (48% of those aware of SDGs) use the SDGs as a reporting tool or framework.

However, the use of SDGs for reporting purposes is not systematically done in the same manner.

A minority of Asset Owners (3 insurance companies and 1 endowment fund) communicate on their contribution solely through the prism of their organization’s internal activity or products. This is a sign that they understand the importance of the SDGs, but this is not sufficient since investing is an integral part of their activities.

For most Asset Owners, reporting mostly consists in listing policies that were put in place or examples of investments that contribute, in their view, to certain SDGs.

Out of the 57 institutions using SDGs as a reporting tool, only 21 publish quantitative impact indicators to complement their reporting. This raises the question of the measurability and materiality of impact, particularly for Asset Owners who do not publish indicators to support their claims. Various investors (see Case Studies p.11-12) explain that they will not support SDG-based reporting until more solid impact measurement methodologies are created and shared among financial actors.

Other than the carbon footprint, which is one of the most common impact indicators, each report discloses different indicators, for instance:

- gigawatt hour of energy generated with solar energy,
- number of passengers per day using public transportation of better quality,
- number of persons benefitting from improved or secured housing,
- female/male ratio of people benefitting from micro-loans, etc.

It should also be noted that methodologies for calculating the carbon footprint can vary and that the indicator is not always systematically linked to SDG 13.
The approach of communicating on a “general orientation” still encompasses a variety of strategies. For some Asset Owners, it translates into setting the contribution to the SDGs as a general objective for their responsible investment strategy. Others go a little further and link their exclusion and divestment policies with the SDGs. Others still, give examples of how some of their investments could contribute to the SDGs, but without laying out a clear policy of “impact investing” that would specifically target the Goals. For example, there is no information on the type of assets concerned or on the share of the portfolio dedicated to SDGs. Moreover, in these same cases, it is generally unclear whether SDGs had a transformative effect and if these policies were based on SDGs to begin with or if the link with SDGs was made a posteriori. Another approach is using SDGs in the context of active ownership, even if overall this approach remains rarely used (see p. XX).

The reasons for adopting this general approach also vary from one Asset Owner to the other. The next three following pages illustrate why some organizations are cautious when it comes to integrating SDGs in their strategies or reports.

**SDGs as a general orientation in the investment strategy**

**80 institutions** (67% of those aware of SDGs) state that they use the SDGs to guide their investment strategy.

However, among those 80 institutions, the majority of them (70), only communicate on a general orientation, without specifying any methodology or specific process for integrating SDGs into their investment decision making.

Only 10 investors provide some detail on how they integrate SDGs into their investment process and appear to have specific guidelines or criteria in place.
SDGs as a general orientation in the investment strategy

The use of SDGs remains an option. This is why the testimonies of a reinsurer such as Scor, an insurer like Axa and a public financial institution like Caisse des Dépôts, as well as the case of the Norwegian Pension Fund, are important. These four institutions are part of the 70 Asset Owners that mention SDGs as part of their investment strategy but without giving clear indications on the way this integration has been implemented. In the following pages, their visions are presented, all of which are very different despite the deep involvement of these institutions in responsible investment.

When you answered our survey, you indicated that your organization is not sensitive to SDGs, why is that?

We do care about the SDGs, but we cannot work on all 17 of them. I need to work with the targets, and when we look at the 169 targets, we realize that it is a whole different world. [...]

We also have a real problem with this so-called “rainbow-washing”, and until we have more control over that, We do not want to communicate further on SDGs. If you look at our « Article 173 » Report, we mentioned 3 SDGs that we feel strong enough to tackle. However, we also invest in “cat-bonds”, catastrophe bonds which are dedicated to reconstructions after natural catastrophes. These investments therefore contribute in a certain way to the climate resilience of communities. However, is investing in the reconstruction of villas in Florida really the development that is expected from us in SDG 13?

It isn’t that we’re not sensitive to these issues and we can tell you exactly why we are so cautious on this topic. Each year, we analyze our portfolio and look at the contributions, both positive and negative, of each asset to the various SDGs. [...] It turns out that our portfolio is not a big contributor, neither positively nor negatively. This is reassuring on the one hand, but on the other it also shows that we aren’t engaged enough. Moreover, this is a posteriori screening, which in my opinion is not in the spirit of the SDGs, but the ex-ante intentionality is difficult for us because we have delegated the management of our assets. We find ourselves in a situation where someone else takes the investment decision for us, even if we provide the guidance.

That is why We are cautious. We wouldn’t want to end up inadvertently classifying an investment as a contributor to an SDG and not having reasonable arguments for it.

Would you say that one of the limits of SDGs for investors are that they’re not very operational?

Yes. That and the lack of transparency surrounding these issues. Changing from being a sustainable investor to an impact investor, requires the impact to be measurable. And how do you measure the SDG-impact of an investment? [...] For now, there is not enough standardization in reporting. For instance, investing in a hospital in Africa seems SDG-compatible, but what is the impact measure for that? The number of people treated? The number of people who are not dead thanks to that hospital? Up to where do we go in the chain? [...] How do you make the impact of these investments measurable? That’s where the difficulty lies for me.

Michèle Lacroix, Head of Group Investment Office at SCOR (France)
Would you say the SDGs have been useful to highlight priority issues for your sustainable strategy?

The SDGs represent a UN canvas of the state of the world and what we want to improve. It’s interesting, when putting in place a CSR strategy, to make sure that it is inscribed in this general interest. Objectively, the SDGs have mostly reassured us in our strategy. We are an international group and our approach was already very structured.

Did you become aware of the importance of SDGs? Did you look at what other organizations were doing to elaborate your strategy?

Thanks to the UNEP-fi, I became aware of the SDGs as they were elaborated, but the issue only became prevalent to me when I started to exchange with the Dutch investors who were developing a SDG taxonomy for investors. When CDC redefined its corporate mission, to reduce inequalities and territorial divisions, we used the SDGs as a common framework to support and articulate its implementation. We did look at many different organizations, such as the guide from the Global Compact and our own subsidiaries. However, all organizations have their particularities. For instance, some have a thematic impact investing approach, which is not our current choice at Group level.

Are SDGs more of an issue for reporting or for the investment strategy?

They became a tool for group strategic steering, encompassing the investment strategy as well as internal management. [...] For the last two years, we had been evaluating our contribution on ex-post basis by identifying the corresponding SDGs. Now there is a real intentionality: we have conducted a materiality analysis, which allowed us to identify our priority SDGs and action plans to improve our contribution. The second step is for all divisions to develop and monitor indicators for these priority SDGs, with the aim of enabling us to set up, specific targets in 2020.

Concerning your investment strategy, will a new methodology be put in place to integrate an SDG analysis in the investment process?

There will be different methodologies for each entity to support Group priority SDGs relying on a set of common tools: better integration in investment analysis, more thematic investments, more systematic and specific integration into shareholder dialogue. SDG consideration will also be integrated at the risk analysis level with the “Do no harm” concept, but this is also in development and will require a lot of work.

What are the limits in the SDG-approach?

At first, we wondered if we could put the SDGs at the center of our approach, but in the end they are mostly a filter. Obviously if something does not fit within any of the 17 SDGs, it raises the question of giving it up. However, once we used the SDGs as a filter and we retained the 7 most relevant ones, the limit is that the KPIs are not adapted to companies. That’s why it cannot be at the heart of our approach.

What do you think of the initiatives that are being launched to promote the integration of SDGs by investors?

We are looking at a current initiative by the Global Compact to adapt the SDGs to the private sector. Other than that, we are regularly in contact with UN institutions, but they do not promote the SDGs very much, they do not share good practices for example.

Currentley we are focused on aligning our responsible investing actions with our CSR strategy, and this contributes to the SDGs.

Céline Soubranne, Chief Corporate Responsibility Officer at AXA (France)

Helena Charrier, Responsible Investment Project Director at Groupe Caisse des Dépôts

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SDGs as a general orientation in the investment strategy

Norwegian Government Pension Fund Global
(Norwegian Ministry of Finance and Norges Bank Investment Management - NBIM)
Norway

In September 2018, Norges Bank Investment Management (NBIM), which manages the assets of the Norwegian Government Pension Fund Global published a note2 to explain their SDG approach for the Fund: “Our goals as a responsible investor to a large extent align with the 2030 Agenda for Sustainable Development […]. Due to our size and presence in financial markets, our diversified investments may contribute directly or indirectly to many SDGs. […] We relate to the SDGs in four main ways: i. by promoting long-term value creation in companies, ii. by investing in developing markets, iii. by investing in companies providing environmental solutions, and iv. by divesting from unsustainable businesses.”

However, NBIM also warns against a further integration of SDGs in investors’ strategy, particularly for reporting, because of the difficulty to obtain relevant indicators from companies. On April 30th, 2019, NBIM went further and sent a letter to the PRI association to reiterate their view and protest against a potential inclusion of outcome-based reporting based on the SDGs in the PRI reporting framework: “We have however reservations about outcome-based reporting on the SDGs. First, we acknowledge that the SDGs set a policy agenda for governments, and that the projects required to meet these goals do not always have investable characteristics. Furthermore, […] to attribute ownership of an outcome, an investor would ideally need to be able to demonstrate additionality, i.e. that any positive impact would not have happened without their investment. Establishing such a relationship is challenging, given that a minority investor has only a marginal influence on a company's funding cost and on its strategic direction, and is not involved in operational decisions.”

As mentioned above (p.11), only 10 investors in our panel have started to communicate on the specific ways they integrate SDGs in their investment strategy. These approaches can be grouped into two main categories:

**Approach 1 – Dedicated investments:**
Contribution to SDGs through specific dedicated investments, which are the main object of reporting.

**Approach 2 – Overall SDG integration for investment decisions:**
Integration of SDGs considerations through specific processes for investment decisions more generally.

Below, classified according to the two approaches, are the Asset Owners judged as having “Specific guidelines/criteria”. They were considered as such because of the clarity of the approach they presented in their public documents. Other Asset Owners of the panel might also have a structured SDG-investing method, but its details have not been identified within the perimeter of our research. Moreover, it should be noted that various Asset Owners indicated that the investment process was under restructuring to integrate SDGs considerations, as illustrated by the example of the French Caisse des Dépots (p.13).

### Approach 1 – Dedicated investments

| AP1, Sweden | Dedicated investments for 4 SDGs (9,11,12,13) | ASR Nederland N.V., Netherlands |
| AP7, Sweden | Dedicated impact investments for specific SDGs | Natixis Assurances, France |
| Stichting Pensioenfonds ABP, Netherlands | Dedicated investments for specific SDGs with an objective in share of portfolio | FMO, Netherlands |
| Stichting Pensioenfonds Horeca & Catering (PH&C), Netherlands | Dedicated investments for SDGs 13 & 12 with an impact objective and an objective in share of portfolio | PeaceNexus Foundation, Switzerland |
| Stichting Pensioenfonds Zorg en Welzijn (PFZW), Netherlands | Dedicated investments for SDGs combined with a more impact-focused subset | Storebrand ASA, Norway |

### Approach 2 – Overall SDG integration for investment decisions

| | Exclusion policy based on SDG scores for countries combined with an SDG “Best-in-Class” approach |
| | Exclusion of negative contributors based on SDG score produced by their Asset Manager |
| | Set of standards for investments to be aligned with a specific set of SDGs |
| | Set of criteria to select exclusively investments that contribute to SDG 16 |
| | SDG analysis is integrated in sustainability rating used in investment process |

A deeper analysis of these investment strategies has been displayed here through 3 short business cases (p 16-17)
Business cases

Approach 1: Dedicated investments

AP1
Sweden

AP1, one of Sweden’s national pension funds, contributes to SDGs through what they call “dedicated investments”. Their 2018 Ownership report explains: “Dedicated investments comprises the areas where the Fund actively seeks investments that could contribute to a more sustainable society, while the return must also be high. Four of the UN’s goals [9, 11, 12, 13] have been selected here for guidance”.

In an Article from IPE in May 2019, AP1’s CIO Mikael Angberg explains that dedicated investments have a “softer, or broader, definition than impact investing which [they] are not, cannot be and do not want to be.” He also states that AP1 does not aim for a specific objective or percentage of assets for this type of investment and justifies it by the fact that “these types of investments will increase over time but if you set specific targets, the risk is that you pay a premium because you have to allocate a certain amount, irrespective of market circumstances.”

Stichting Pensioenfonds ABP
Netherlands

In December 2016, APG – the asset manager of ABP, one of Netherland’s largest pension scheme - was one of the early signatories of the Dutch SDG Investing Agenda, promoting the adoption of the SDGs in investors’ strategies. In May 2017, they published with PGGM – the asset manager of Dutch pension scheme PFZW – a taxonomy for what they called Sustainable Development Investments (SDIs).

ABP’s 2017 Responsible Investment report, details their SDG strategy: «we developed ‘taxonomies’ that we used to ‘translate’ the [SDGs] into [SDIs]. A key aim of our policy is to increase these investments to € 58 billion by 2020, including at least € 5 billion in renewable energy. [...] We count 50% of the assets invested in a company where at least 10% of the activities contribute to an SDG as an SDI. We count the full investment in a company which has over half of its activities contributing. If the SDG contribution of a company is below 10%, it does not count unless the company concerned is an acknowledged transformational leader.»

In the 2018 Responsible Investment Report, the pension fund appears to be on the right path to meet its objective: € 55.5m in SDIs, and over € 4.9m invested in renewable energy.
FMO, the Dutch Development Bank, is also an early signatory of the Dutch SDG Investing Agenda. SDGs are a key issue in their 2018 Annual Report, when presenting the way their performance is assessed, they explain that: “FMO's strategy builds on three pillars, which are a higher impact portfolio in our chosen industries (Agribusiness, Food & Water, Energy and Financial Institutions) deeper relations and higher productivity. In doing so, our focus is on three Sustainable Development Goals. [SDG 8, SDG 10, SDG 13].”

FMO also lists the processes they put in place for the first pillar of their strategy (a higher impact portfolio):

- SDG 8 “FMO ensures that projects adhere to IFC Performance Standards, including IFC PS 2 [...]. Since 2014, FMO has been using an input/output impact model to make an ex-ante estimate of direct and indirect employment supported through its investments.”

- SDG 10 “an investment can acquire the Reduced Inequalities label by investing in a least developed country or in an inclusive business [in line with the IFC and G20 definition].”

- SDG 13 “Since 2015, FMO has been steering on SDG 13 through its green label, classifying investments as green if they contribute to i) climate change mitigation, ii) climate change adaptation or iii) other types of footprint reduction.”

This move to integrate SDGs at the heart of their entire strategy and investment processes is something we can find with other Development Finance Institutions such as the French AFD (Agence Française de Développement), which integrated the Goals in the 2018-2022 strategic plan voted by the Board of Directors. Being “100% SDGs” is thus one of the 5 great commitments of the French development agency. For this purpose, they created an “Sustainable Development Analysis and Opinion” mechanism which allows for projects to be analyzed through the prism of 6 dimensions linked to the SDGs.
Methodology

Launched in 2015, SDG’s are still a new framework for investors who are improving step by step their knowledge and integration of SDG’s into asset management. This survey was done during the first part of 2019 and focus on the 228 European asset owners that have signed the PRI as of December 31, 2018.

- Research method

Public documents for each Asset Owner were downloaded and analyzed until July 1st, 2019 (included). Assets under management were however updated, preferably with the latest PRI Transparency Report, until July 23rd, 2019.

A survey was conducted Europe-wide to help interpret the public documents from May 2nd to July 8th, 2019. Only 17 institutions completed the questionnaire.

Four interviews with French Asset Owners were conducted in June 2019: Axa Group, the Groupe Caisse des Dépôts et Consignation, SCOR and the Agence Française de Développement (AFD – not a PRI signatory but chosen for a comparison with the Development Finance Institutions of the panel).

<table>
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<tr>
<th>HQ Country</th>
<th>Number of institutions</th>
<th>Total AuM (€ bn)</th>
<th>Average AuM (€ bn)</th>
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<tr>
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<td><strong>8419</strong></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>228</strong></td>
<td><strong>8419</strong></td>
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</table>
INVESTING WITH A PURPOSE
Analyzing European Asset Owners’ Contribution to the SDGs

SEPTEMBER 2019

Study carried out by Julie Nicolas under the supervision of Anne-Catherine Husson-Traore.

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