



Intention meets action: Realigning your portfolio to reflect your values



SUSTAINABLE DEVELOPMENT GOALS AND ESG INVESTING



INVESTMENTS

What do the UN Sustainable Development Goals mean for investors?

Never has the global community set out such an ambitious agenda. Countries, companies, non-governmental organizations (NGOs), and investors are all needed to achieve the 17 SDGs.²

In 2015, the global community represented by all 193 member countries of the United Nations (UN) established the 17 Sustainable Development Goals (SDGs). These SDGs are a collection of goals created to address global challenges, including poverty, inequality, climate change, environmental degradation, peace, and justice. The SDGs build on decades of work to end poverty, protect the planet, and ensure that everyone can enjoy peace and prosperity.¹

Never has the global community set out such an ambitious agenda—and the need to meet these challenges is urgent. Countries, companies, non-governmental organizations (NGOs), and investors are all needed to help achieve the 17 SDGs and their 169 underlying targets. The UN Commission on Trade and Development (UNCTAD) estimated that meeting the SDGs will require \$5–\$7 trillion in investment each year from 2015 to 2030. It will be critical for investors to reorient their investments toward new, innovative products and services focused on finding solutions to achieve these SDGs.²

SUSTAINABLE GOALS

Each of the 17 goals are expected to be accomplished by 2030



Source: UN Department of Economic and Social Affairs, Sustainable Development Goals, 2021.

Examples of SDGs and underlying targets

Within the 17 SDGs, there are 169 underlying targets. Below are a few examples:

SDG Symbol	Sustainable Development Goal	Examples of Underlying Targets
	Goal 5 Achieve gender equality and empower all women and girls	Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels
	Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	By 2030, upgrade infrastructure and retrofit industries to make them sustainable—with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
	Goal 14 Conserve and sustainably use the oceans, seas, and marine resources for sustainable development	By 2025, prevent and significantly reduce marine pollution of all kinds from land-based activities, including marine debris and nutrient pollution

Source: UN Stats, Global indicator framework for the Sustainable Development Goals and targets of the 2030 agenda for Sustainable Development, 2018

How responsible investments affect society's broader objectives.

Third-party data companies such as MSCI, Sustainalytics, and Institutional Shareholder Services (ISS) are developing SDG-based scoring methodologies to determine a company's alignment with and contributions to the SDGs. These scoring methods map a company's impact on the SDGs, based on its revenue exposure and/or operations, and grade it on how it contributes to or detracts from each SDG goal.

Impact investments are made with the explicit intent to deliver measurable social and/or environmental impact, in addition to delivering financial returns. Investors can start to look for impact investments allocated to environmentally/socially themed investments (e.g., renewable energy, clean technology, and affordable housing). These investments, which are made under the assumption that they will provide market-rate returns and positive outcomes to society, are seeing increased flows. The current estimated market size is approximately \$715 billion (as of June 2020) and is attracting a wide variety of investors—both individual and institutional.³

A 2020 survey by the Global Impact Investing Network found that more than 88% of impact investors reported that their investments were meeting or surpassing their financial expectations.⁵

While more is needed, impact investing has made meaningful progress in taxonomy and measurement over the last three years. The 17 SDGs, formalized in 2015 to provide a “blueprint to achieve a better and more sustainable future for all” by 2030, are increasingly being used in finance as a common language and taxonomy. Impact investors are increasingly using these SDGs to describe qualitative goals and enhance comparability. At the end of 2019, 73% of impact investors used the SDGs for at least one measurement purpose—up from 60% in the previous twelve month period.⁴

Impact investors are using reports about a company’s ESG data and its alignment with the SDGs as a way to measure the “impact” of impact investing. When making an investment decision, be sure to read the fund’s prospectus and look for any additional reporting on ESG data and alignment with the SDGs.

For more information on ESG investing and SDGs, visit us at: newyorklifeinvestments.com.

1. Source: UN Department of Economic and Social Affairs, Sustainable Development Goals, 2021.

2. Source: PRI, Investors and the Sustainable Development Goals, 2017.

3. GIIN, What you need to know about Impact Investing, 2020.

4. Source: GIIN 2020, page 45; and GIIN 2019, page 30 (40% + 20%).

5. Source: GIIN. “2020 Annual Impact Investor Survey.” Accessed June 1, 2021.

ABOUT RISK

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Impact investing and/or environmental, social, and governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviation. Opinions expressed are current opinions as of the date appearing in this material only and are subject to change.

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