

THE ROLE OF THE SUSTAINABLE DEVELOPMENT GOALS FOR INVESTORS

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SWISS SUSTAINABLE FINANCE |

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SUSTAINABLE DEVELOPMENT IN FOCUS



17 SUSTAINABLE DEVELOPMENT GOALS

Adopted in September 2015



17 SUSTAINABLE DEVELOPMENT GOALS

169 Targets



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

2.1 - ...end hunger and ensure access by ALL PEOPLE... to safe, nutritious and sufficient food...

2.2 - ...end ALL FORMS of malnutrition...

2.3 - ...double the agricultural productivity and incomes of small-scale food producers

...

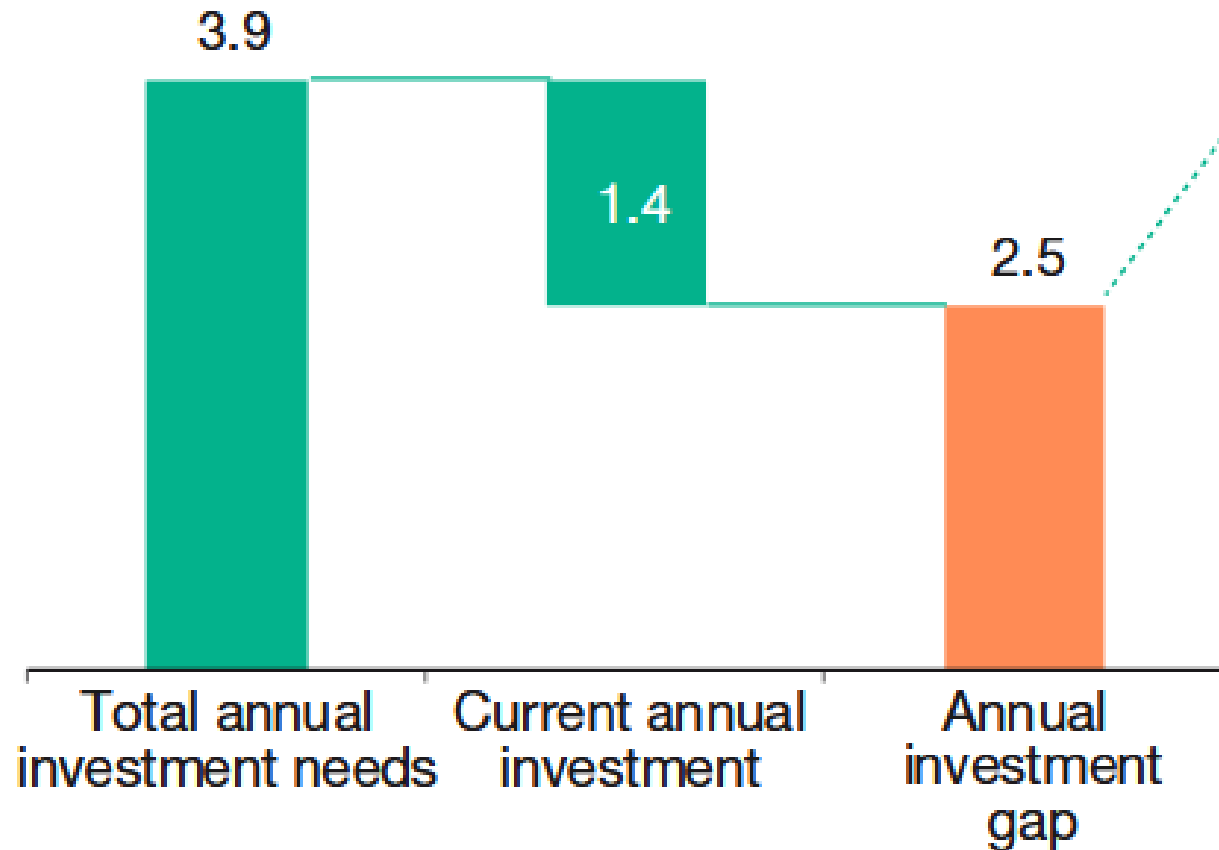
COUNTRY SDG COMMITMENTS AND REPORTS

Swiss report presented to UN in July 2018 in New York







BRIDGING THE \$2.5 TRILLION INVESTMENT GAP

Estimated annual investment needs (USD trillions)



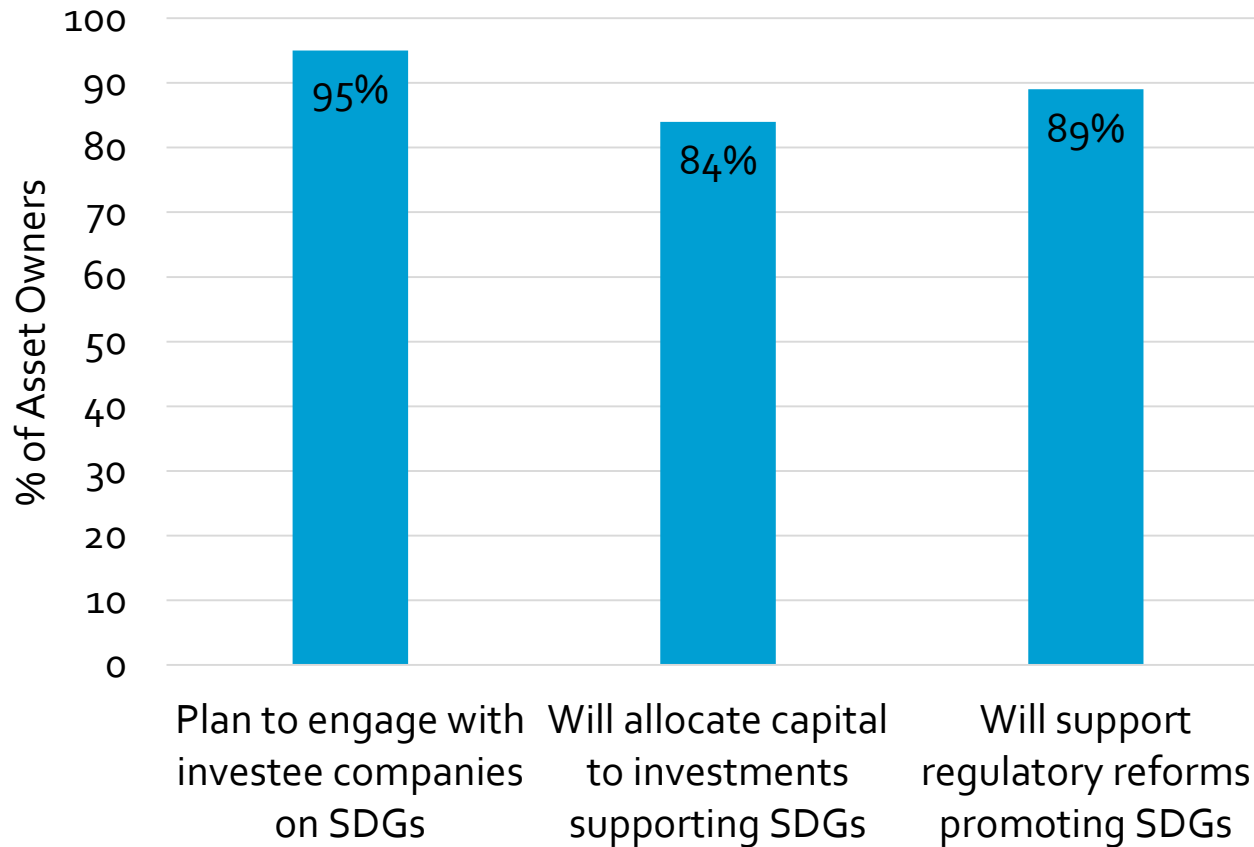
UNCTAD, World Investment Review 2014

60 BIGGEST MARKET OPPORTUNITIES RELATED TO DELIVERING THE GLOBAL GOALS

	 Food and Agriculture	 Cities	 Energy and Materials	 Health and Well-Being
1	Reducing food waste in value chain	Affordable housing	Circular models - automotive	Risk pooling
2	Forest ecosystem services	Energy efficiency - buildings	Expansion of renewables	Remote patient monitoring
3	Low-income food markets	Electric and hybrid vehicles	Circular models - appliances	Telehealth
4	Reducing consumer food waste	Public transport in urban areas	Circular models - electronics	Advanced genomics
5	Product reformulation	Car sharing	Energy efficiency - non-energy intensive industries	Activity services
6	Technology in large-scale farms	Road safety equipment	Energy storage systems	Detection of counterfeit drugs
7	Dietary switch	Autonomous vehicles	Resource recovery	Tobacco control
8	Sustainable aquaculture	ICE vehicle fuel efficiency	End-use steel efficiency	Weight management programs
9	Technology in smallholder farms	Building resilient cities	Energy efficiency - energy intensive industries	Better disease management
10	Micro-irrigation	Municipal water leakage	Carbon capture and storage	Electronic medical records

Source: Business and Sustainable Development Commission

ASSET OWNERS TURN FOCUS TO SDGS



Source: Shareaction

SDGS AS AN INVESTMENT FRAMEWORK



PRI, 2018

SWISS INVESTMENTS FOR DEVELOPMENT

Contributing to social and environmental improvements



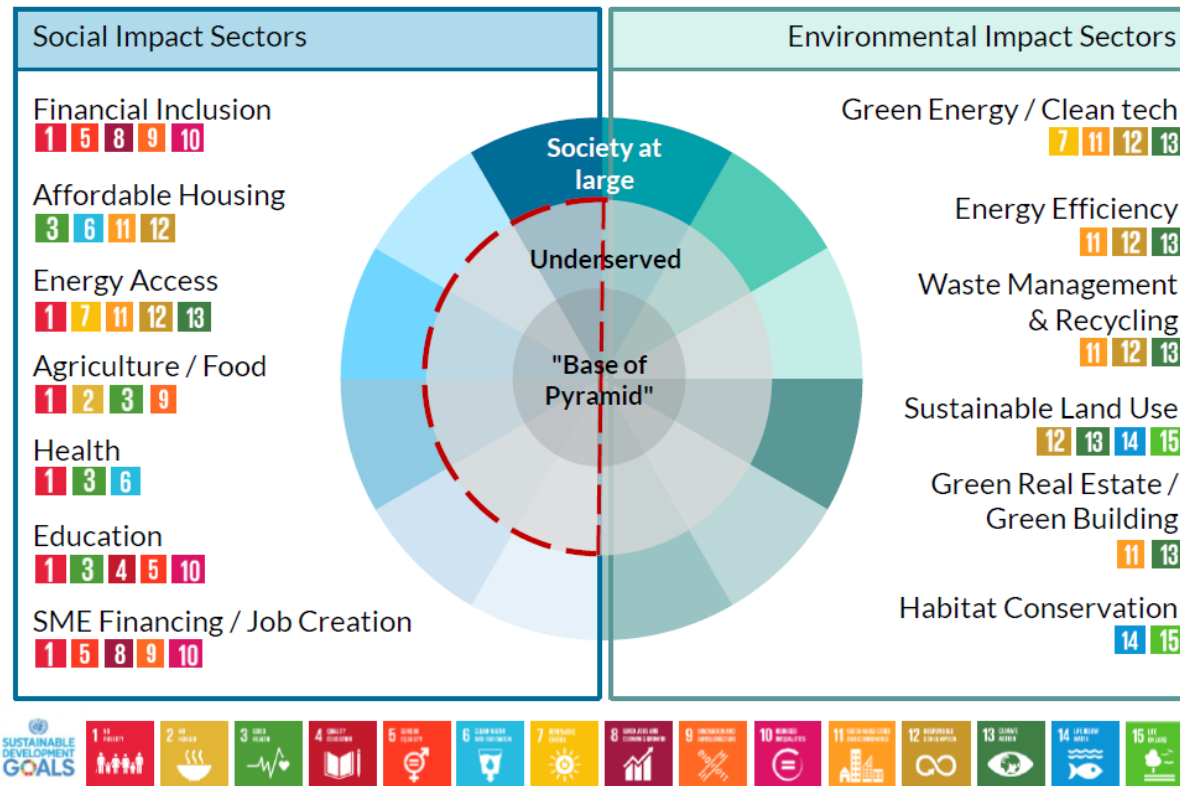
Swiss market size of investments for development



Almost one third of the global market for investments for development is managed through Swiss institutions

PRIVATE EQUITY INVESTMENTS IN SDGS

PG Impact Investments



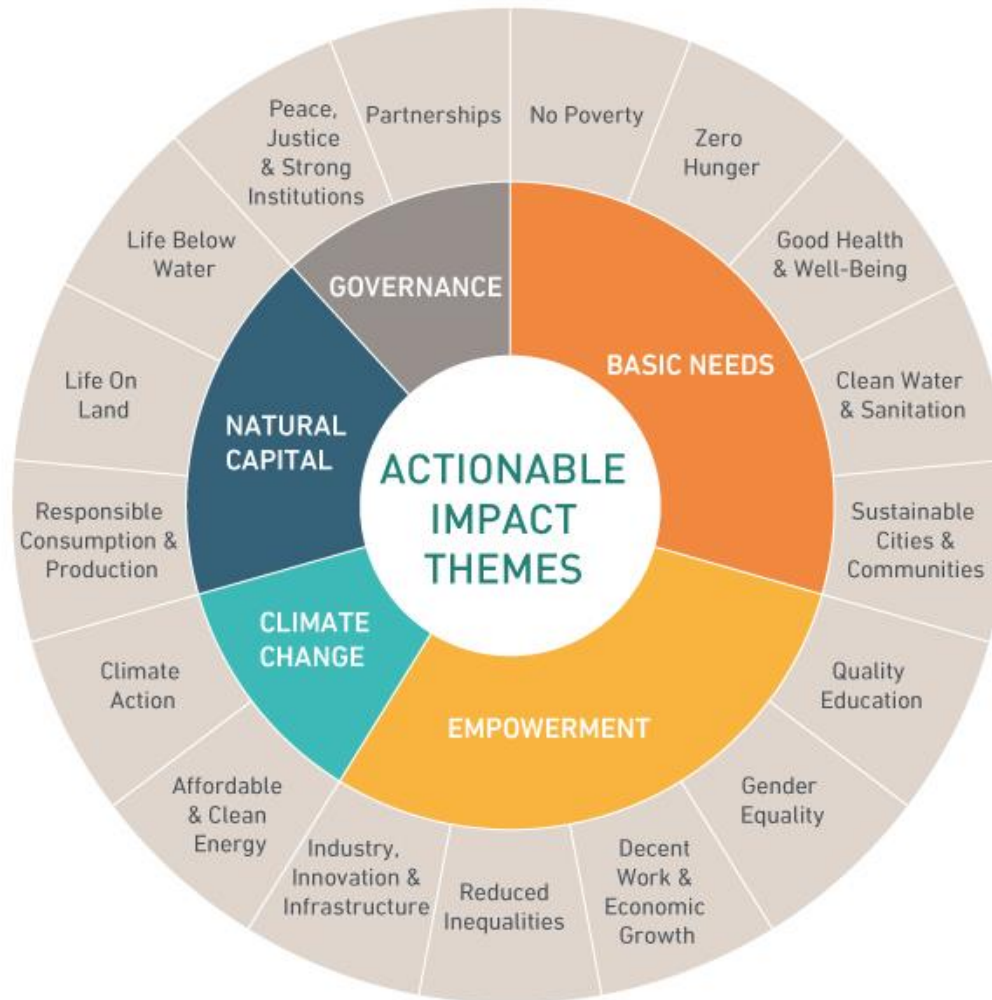
Source: PG Impact Investments

Investment focus:

- **WHAT:**
 - Social impact
- **WHO:**
 - Underserved
 - Base of Pyramid
- **WHERE:**
 - Emerging markets
- **Targeted return:**
 - Market-rate

LISTED EQUITY FRAMEWORKS FOR SDG ALIGNMENT

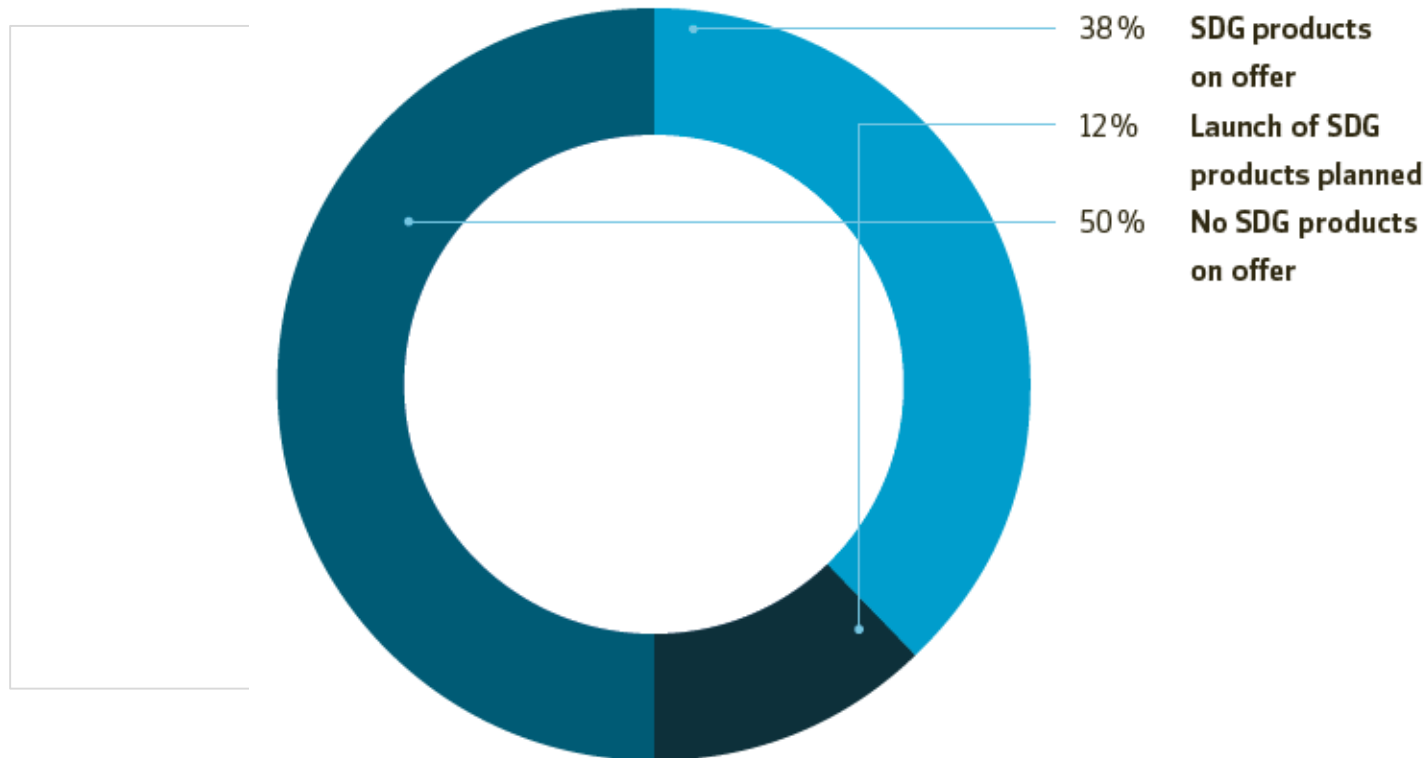
MSCI Sustainable Impact Metrics

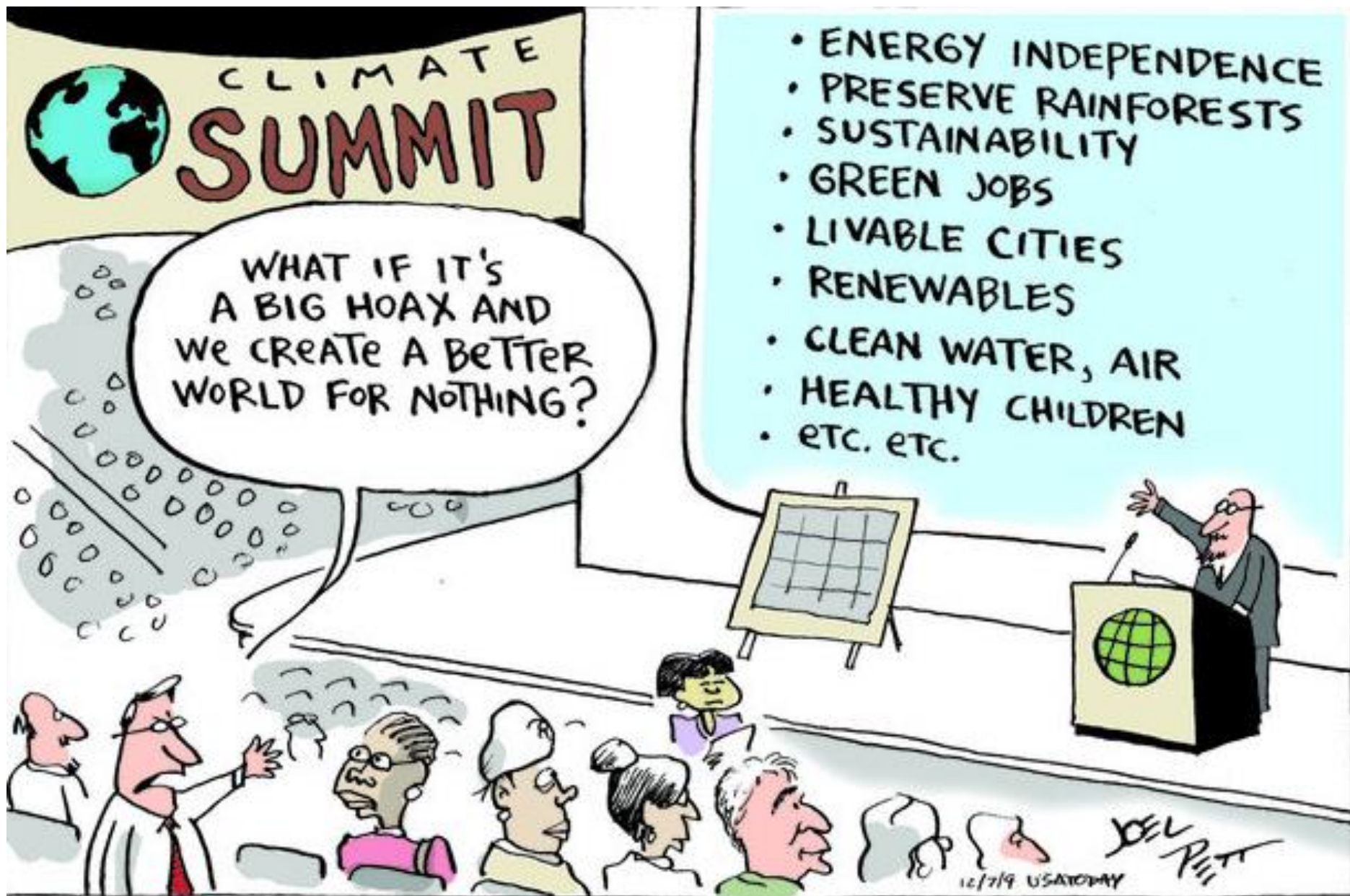


Source: MSCI ESG Research

SDGS ALREADY REFLECTED IN FINANCIAL PRODUCTS

OFFERING OF SDG-RELATED PRODUCTS BY ASSET MANAGERS (IN % OF RESPONDENTS) (n=26)





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EU FINANCE ACTION (12 YEARS) PLAN:

The European Commission reports on 8 March 2018

- Around **EUR 180bn** of additional investments a year are needed to achieve the EU's 2030 targets agreed in Paris
- The High-Level Expert Group on sustainable finance is setting out a roadmap to boost the role of finance in achieving a well-performing economy that delivers on environmental and social goals as well
- First Vice-President Frans Timmermanns said: *„Moving to a greener and more sustainable economy is good for job creation, good for people, and good for the planet. Today we are making sure that the financial system works towards this goal. Our proposals will allow investors and individual citizens to make a positive choice so that their money is used more responsibly and supports sustainability.“*
- Vice-President Valdis Dombrovskis said: *„Only with the help of the financial sector can we fill the annual EUR 180 billion funding gap to reach our climate and energy targets.“*

EU FINANCE ACTION (12 YEARS) PLAN:



New legal rules to delivering on sustainable finance

1. Establishing a common language for sustainable finance, i.e. a unified **EU classification system – or taxonomy** – to define what is sustainable
2. Creating **EU labels** for green financial products on the basis of this EU taxonomy: investors can easily identify sustainable investments
3. Requiring insurance and investment firms to advise clients on the basis of their preferences on sustainability (**suitability assessment** under Mifid II)
4. **Capital requirements for banks** will be recalibrated with the so-called green supporting factor
5. Developing transparent **sustainability and low carbon benchmarks** to assess investment portfolios against climate targets
6. **Explicit requirement (fiduciary duty)** for institutional investors and asset managers to integrate considerations on sustainability in the investment decision-making process and report transparently on it.




HOW TO MEASURE THE IMPACT OF COMPANIES ON SDGS?



- 1 Data source: MSCI Sustainable Impact Metrics
- 2 Identification of companies which lead with revenues generated from SDG products and services
- 3 Different measures are applied to identify true SDG leaders

SDG theme	SDG pillar	Contribution to SDGs (exemplarily)
Alternative Energies	Climate Change	Climate Action (SDG-13)
Energy Efficiency		Climate Action (SDG-13)
Green Buildings		Sustainable Cities & Communities (SDG-11)
Sustainable Water	Natural Capital	Clean Water & Sanitation (SDG-6)
Pollution Prevention		Responsible Production & Consumption (SDG-12)
Nutrition	Basic Needs	Zero Hunger (SDG-2)
Disease & Health Care		Good Health & Well Being (SDG-3)
Sanitation		Clean Water & Sanitation (SDG-6)
Affordable Real Estate		Sustainable Cities & Communities (SDG-11)
SME Finance	Empowerment	Decent Work & Economic Growth (SDG-8)
Education		Quality Education (SDG-4)

TRUE SDG LEADERS IN DIFFERENT SECTORS

Stock	Weight in %*	Business model	SDG exposure
Umicore S.A.	3.0%	Belgian technology and recycling group which contributes positively to SDG-12 .	
AbbVie Inc.	2.5%	Biotechnology and health care company with strong focus on innovation and responsibility ; high sales exposure to SDG-3 .	
First Solar Inc.	2.5%	Provides the leading eco-efficient PV solutions which generate energy at a competitive cost with the smallest environmental impact (SDG-13).	

* indicative

As of: August 2018
Source: DWS GmbH

SECTOR & COUNTRY COMPARISON

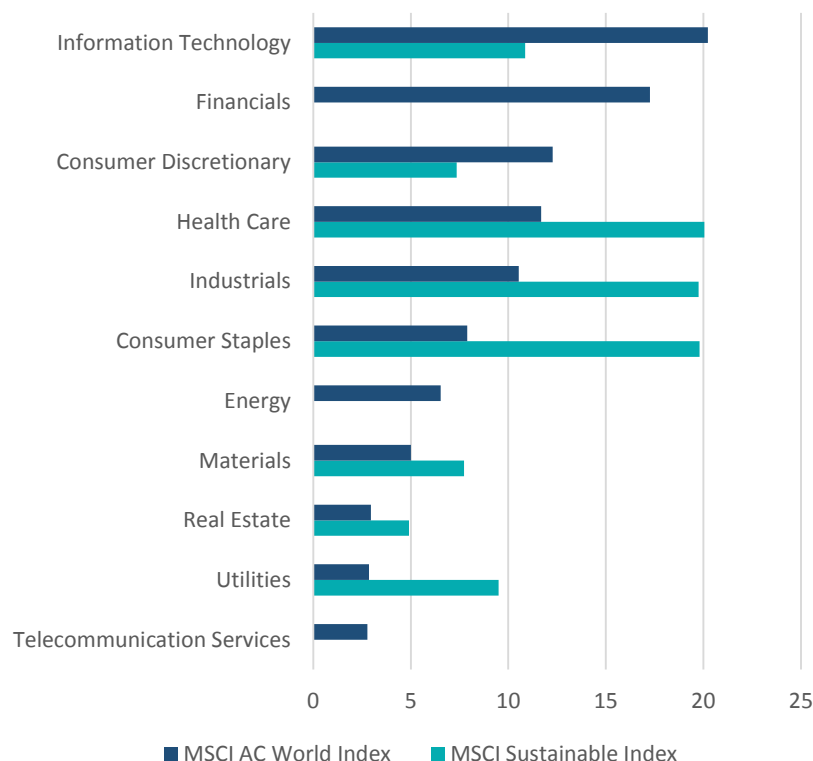


MSCI Sustainable Index vs. MSCI AC World Index:

- UW IT, Energy / OW Health Care, Industrials, Consumer Staples / No Financials, Tel-CO Services
- More Country Diversification, More Focus on Europe

SECTOR COMPARISON

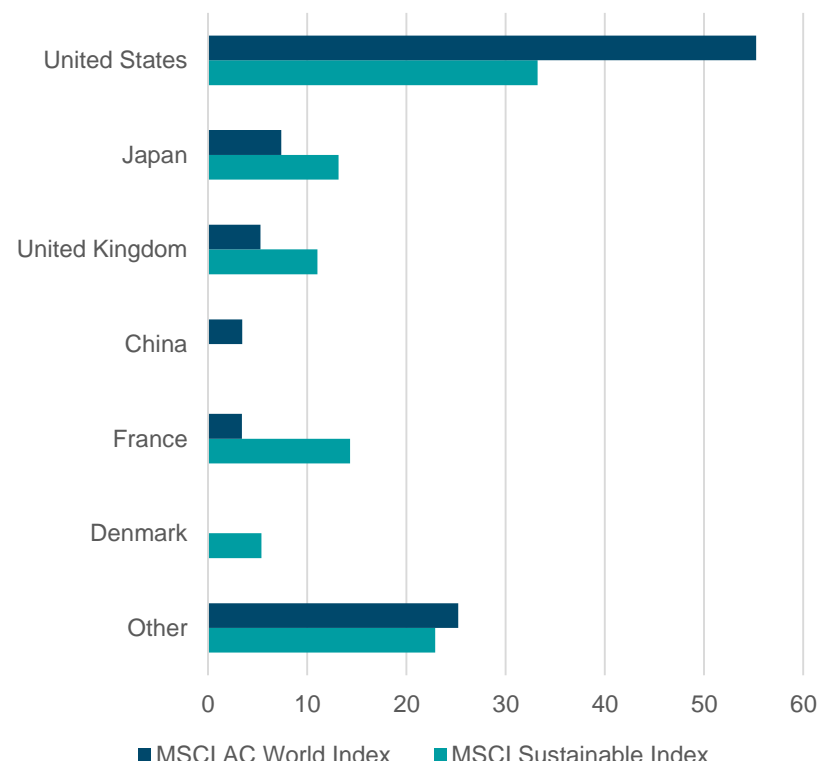
In %



Source: MSCI

COUNTRY COMPARISON

In %



Source: MSCI

STATE-DIRECTED ECONOMY VS. FREE MARKET

Can technocracy be efficient in the long-run? History warns us...

Economic Changes under Mao

- First Five-Year Plan (1953-1957)
 - Advances in agriculture and coal, electricity, iron, and steel production
- Second Five-Year Plan (1958-1962)
 - “Great Leap Forward”
 - China became a leading industrial country
 - Peasants organized into communes
 - Unhappiness and resistance of the Great Leap
 - Widespread catastrophe – famine – at least 15,000,000 deaths



Propaganda Poster for the Great Leap Forward

