

SUSTAINABLE DEVELOPMENT GOALS: SUSTAINABILITY-DRIVEN GROWTH

The International Monetary Fund reported in October that the world economy is in a “synchronized slowdown” and downgraded its 2019 growth outlook to 3%. This is the slowest pace since the financial crisis. Growth in 2020 is projected to improve modestly to 3.4% but is expected to be “precarious”. Within this macro environment there are multiple long-term sustainable growth opportunities that are embodied in the UN Sustainable Development Goals. The asset management industry will play a key role in delivering these global goals. La Française has a long-standing commitment to sustainable investing and is strongly positioned to capture the related sustainable growth opportunities.



- The SDGs are the globally accepted sustainability framework
- They aim to address the world's biggest challenges by 2030
- The private sector has a key role to play
- Asset managers can leverage the sustainable growth opportunities driven by the SDGs

2030

INTRODUCING THE SDGS AND THEIR APPLICATION TO ASSET MANAGEMENT

A shared blueprint for peace and prosperity for people and the planet:

The UN 2030 Agenda for Sustainable Development becomes increasingly relevant to asset managers as the industry itself embraces sustainable investing. At the heart of the 2030 Agenda are the Sustainable Development Goals (SDGs). The goals most clearly define the broader objectives of society. Their underlying ambition is to offer a shared blueprint for peace and prosperity for people and the planet. This is a blueprint for sustainable investment. Recognising this, the Principles for Responsible Investment has put the SDGs at the heart of its strategy.

There are 17 SDGs with a total of 169 targets and 232 progress indicators across all goals. The goals – environmental, social and economic – are comprehensive in addressing the most critical global challenges: poverty, inequality, climate change, environmental degradation, prosperity, peace and justice. A core focus of the SDGs is developing nations and lower income groups. However, after assessing the individual targets of the SDGs, we believe that there are many opportunities for global businesses to address the goals through their products and services.

The role of the private sector:

The SDGs superseded the Millennium Development Goals in 2015 when they were adopted at a landmark United Nations summit in New York. All 193 member states ratified the SDGs at the UN General Assembly. Delivering these goals will require a huge mobilisation of capital. It is estimated that between \$3.3-4.5 trillion is needed an-

nually to achieve the goals, with a funding gap in developing countries of \$2.5 trillion.⁽¹⁾ The private sector has a major role to play in supporting the goals. However, this should be viewed as an opportunity, rather than an obligation.

Sustainable growth opportunities:

The SDGs are the globally accepted sustainability framework. They also represent secular macro risks and growth opportunities that institutional investors must pay attention to. For example, the SDGs could open up \$12 trillion of market opportunities by 2030 through food and agriculture, cities, energy and materials, and health and well-being alone. This could create 380 million new jobs.⁽²⁾

Seeing the SDGs in terms of Sustainability-Driven Growth is an effective way of ensuring that asset managers align themselves with the current global sustainability agenda.



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(1) United Nations Conference on Trade and Development (2014)
(2) Business & Sustainable Development Commission (2017)

ASSESSING THE SDGS AND THEIR TARGETS



The 17 SDGs are summarised above. Many of the underlying targets and indicators are country-level and cannot be significantly addressed in a direct way through investing in public equity and fixed income instruments. For instance, SDG 1 aims to eradicate poverty. We believe that this can largely only be addressed through project financing. Moreover, it can only be addressed by large corporations via their CSR practices and by creating economic opportunities generally through employment. However, other SDGs encompass significant growth opportunities directly through a company's products and services. For example, companies that offer energy efficient IT solutions can contribute to SDG 9 through target 9.4 by helping to "upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies". This will help countries meet indicator 9.4.1 and improve their "CO2 emission per unit of value added".

CONCLUSION

The SDGs offer a framework for sustainable investors to assess how their investments contribute to global sustainability objectives. We believe that the road to 2030 will present a number of attractive investment opportunities as companies and countries strive for sustainable, impact-driven growth. La Française will support this development with its sustainable investing franchise.

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