

The Sustainable Development Goals as an investment driver

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In the last 30 years, the world has experienced significant economic and social progress. However, many of the past drivers of change, such as the use of cheap fossil fuels and extensive consumption and production, are no longer sustainable with the current economic model. New challenges are threatening future social and financial stability, and urgent actions need to be taken. The increasing occurrences of natural disasters, including flooding and drought cause financial loss and jeopardize food security. In addition, fragile ecosystems with decreasing biodiversity exacerbates economic and financial shocks, nurturing insecurity and conflicts.

To tackle these global challenges we face, the United Nations established 17 Sustainable Development Goals (SDG) with 169 sub targets, in 2015. These goals, which aimed to be reached by 2030, cover crucial matters, such as poverty, inequality, climate change and environmental degradation, as well as peace and justice. Concrete goals comprise eradicating malaria, development of solar panels or more accessible public transport. Initially, they were intended as government and intergovernmental initiatives, but it has become increasingly clear that businesses are a vital catalyst in achieving these objectives. These goals must be seen through the lens of business opportunity because “the Global Goals need business, and business needs the Global Goals”.

The Business and Sustainable Development Commission estimates that these goals represent a market opportunity of at least \$12 trillion by 2030¹. With tighter regulations on sustainability, such as the Green Deal in Europe, and shifts in consumers' preferences and awareness, this could be potentially 2 to 3 times more. Consumers have growing expectations for companies to contribute positively to society and the environment by adjusting their activities. As responsible investors, La Française seeks to invest in companies which are taking the lead and contributing to a better world.

FROM A UNIVERSAL GOAL TO A MARKET OPPORTUNITY

As previously mentioned, the 17 SDGs were initially adopted to apply to countries. It is therefore not surprising to see companies consider these goals out of their scope or difficult to integrate into their corporate strategy. In this paper, we will present the link between the SDGs and business by describing several identified megatrends of the future.

DEMOGRAPHY

Demography is a crucial megatrend: the world's population is expected to increase by 2 billion in the next 30 years, reaching a total of 9.7 billion by 2050². Although population growth isn't itself an issue, it puts additional pressure on the health service and food system. Since the creation of the Millennium Development Goals, there have been historic achievements with respect to global health, such as reduced child mortality. However, the rate of improvement has slowed down.



The aim behind **SDG 3** - “Good health and well-being” - includes ending diseases such as AIDS, tuberculosis, malaria, and other communicable diseases by 2030. One of the sub targets is to tackle premature mortality, especially from non-communicable diseases and the mental health issues. These diseases may include cardiovascular and chronic respiratory diseases, diabetes, or cancer. Plant-based diets can help reduce these diseases and some companies have already addressed these demands by developing innovative products and services such as precision fermentation or meat alternatives. It is estimated that the market of plant-based foods may reach \$162 billion by 2030¹.

Contaminated water and poor sanitation are also known to be responsible for the transmission of certain disease such as cholera or diarrhoea. By improving water infrastructure, companies can provide communities with safer access to clean drinking water, as well as proper waste disposal facilities. These measures also reduce the impact of cities on the environment through water storage or treatment process and has therefore a benefit to **SDG 11** - “Sustainable Cities and Communities” and its sub targets. By 2029, water and wastewater treatment technologies market will be worth \$129 billion¹.



¹ Better Business Better world, Business Sustainable development commission, 2017; <https://www.unglobalcompact.org/library/5051>

² The United Nations, Global issues Population; <https://www.un.org/en/global-issues/population#:~:text=Our%20growing%20population&text=The%20world%27s%20population%20is%20expected,billion%20in%20the%20mid%2D2080s.>

URBANISATION

Another megatrend we identified is urbanisation: today, 55% of the world's population lives in urban areas, and this is expected to increase to 68% by 2050³.

With ever-growing urban areas, promoting inclusive and sustainable urbanisation, and reducing the environmental impact of cities have become significant challenges; both are **SDG 11** sub-targets. The latter could be reduced through better public transport in urban areas and energy-efficient buildings. These two markets will represent more than \$200 billion and more than \$300 billion, respectively, by 2030¹. The building sector represent around one-third of the world's total final energy consumption⁴; therefore, improving energy management in buildings also supports **SDG 7** "Affordable and Clean Energy". This simultaneously contributes to **SDG 13** – "Climate Action".



We understand that the universal goals and their sub-targets are interlinked and give guidelines for all businesses without sector-specificities. There is a strong correlation between **SDG 11** "Sustainable cities and communities" and **SDG 9**, "Industry, Innovation and Infrastructure". Increasing urbanisation and the need to tackle climate change reveals the necessity of improving the sustainability of existing industry and infrastructure. This could be reached through the promotion of the sharing economy, which has a market opportunity believed to reach at least to \$300 billion by 2025⁵. Examples include car sharing, equipment sharing or office space sharing. The latter allows wireless operators to generate more added value through bundling of services, supporting universal access to information and communication technology.



CLIMATE CHANGE AND TECHNOLOGICAL INNOVATION



SDG 13 "Climate Action" should need no introduction. The energy sector is the most significant contributor to Greenhouse Gas (GHG) emissions, accounting for more than two third of total GHG emissions⁶, mainly through the production and use of non-renewable energy. This explains why governments have recently set ambitious policies to accelerate the clean energy transition. They spend more than \$300 billion per year on energy efficiency-related investments in 2021, and this needs to triple by 2030⁷. Besides this, it is also crucial to promote clean and affordable energy by boosting renewable energy expansion, which will have a market size of between \$160 and \$600 billion by 2030¹. There is an extensive opportunity for renewable electricity producers and equipment manufacturers. For example, green hydrogen is believed to be worth more than \$60 billion by 2030, a drop in the ocean of renewable energy market that needs \$1.3 trillion per year by 2030⁸. These solutions to limit global warming need investments but also technological innovations. Energy storage systems are considered the biggest barrier to the clean energy transition and are estimated to grow at a compound annual growth rate (CAGR) of c. 8% to reach \$435 billion by 2030⁹. Carbon capture, utilisation and storage market is anticipated to reach \$5.4 billion by 2030¹⁰. For this reason, we believe the **SDG 13** "Climate Action" and **SDG 7** "Affordable Clean Energy" are also included into the megatrend Technological Innovation.

These SDGs are interlinked, one solution or product could therefore support several SDGs. We have highlighted a selection of objectives here, in the light of mega trends, but we haven't been exhaustive. Our aim is to illustrate how one can link Mega trends, SDGs, Subobjectives and solutions. Once that link is identified, the growth story becomes obvious. La Française seeks to identify companies through this process, so we can promote both financial and extra-financial impact.

³ The United Nations; <https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>

⁴ IEA, buildings A source of enormous untapped efficiency potential; <https://www.iea.org/topics/buildings>

⁵ BBG, <https://www.bloomberg.com/press-releases/2020-12-07/global-sharing-economy-could-reach-335-billion-by-2025>

⁶ IEA, Greenhouse Gas Emissions from Energy Data Explorer; <https://www.iea.org/data-and-statistics/data-tools/greenhouse-gas-emissions-from-energy-data-explorer>

⁷ IEA, Energy efficiency 2021; <https://www.iea.org/reports/energy-efficiency-2021/executive-summary>

⁸ BBG; <https://www.bloomberg.com/news/articles/2022-10-27/renewables-need-1-3-trillion-per-year-by-2030-for-climate-goals#xj4y7vzkg>

⁹ BBG; <https://www.bloomberg.com/press-releases/2022-04-27/energy-storage-systems-market-to-reach-435-4-bn-globally-by-2030-at-8-3-cagr-allied-market-research>

¹⁰ BBG; <https://www.bloomberg.com/press-releases/2022-04-27/energy-storage-systems-market-to-reach-435-4-bn-globally-by-2030-at-8-3-cagr-allied-market-research>

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