SUSTAINABLE RESEARCH SERIES

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SUSTAINABLE DEVELOPMENT GOALS: TAPPING INTO THE WELL OF OPPORTUNITY CREATED BY THE PRIVATE FINANCING GAP

CONTENTS

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INTRODUCTION

Since their inception in 2015, the Sustainable Development Goals (SDGs) have emerged as a powerful framework to address and overcome the pressing challenges facing the world. With their wide-ranging scope, encompassing areas such as poverty eradication, climate change, gender equality and sustainable economic growth, the SDGs represent a shared global vision for a more inclusive, equitable and sustainable future.

In 2014, estimated SDG financing needs were around US$5 to US$7 trillion per year[(1)]. Following the Covid-19 pandemic, estimates reached US$7 to US$9 trillion per year. The financing gap increased by US$ 1.7 trillion[(2)] according to the OECD, landing at around US$4.2 trillion in 2020.

From the outset, the private sector has been recognised as a key partner in the pursuit of these goals. Leveraging on its inherent strengths, being agility, innovation and investment capabilities, the private sector possesses the potential to drive transformative change. By aligning their strategies and operations with the SDGs, companies can generate positive social and environmental impacts whilst unlocking new opportunities for sustainable growth.

The private sector's engagement with regards to the SDGs extends beyond mere philanthropy or corporate social responsibility. Rather, it represents a strategic imperative for businesses to future-proof their operations and secure long-term value creation. Embracing the SDGs enables companies to enhance their competitiveness, attract investment, foster innovation and build resilient business models capable of navigating the evolving global landscape.

This report aims to provide insight into the pivotal role of the private sector in driving the achievement of the Sustainable Development Goals (SDGs). It further explores how investors can effectively incorporate these goals into the investment decision-making processes, thereby contributing to the overall progress towards a sustainable future.

For investors, recognising the importance of the SDGs in shaping the future investment landscape is paramount. Integrating the SDGs into investment decision-making processes allows investors to align their portfolios with sustainability principles and contribute to positive social and environmental outcomes. This approach involves incorporating environmental, social and governance considerations into the investment analysis, actively seeking out companies that demonstrate strong commitment and progress towards the SDGs and engaging with portfolio companies to drive sustainability practices.

To this end, this report presents insights, case studies and methodologies on how investors can effectively incorporate the SDGs into their investment strategies while identifying growing market opportunities. It emphasises the need for collaboration and knowledge-sharing between investors, businesses and policy makers to accelerate progress towards achieving the SDGs.

(1) UNCTAD, World investment report, p.11, 2014.

(2) OECD, UNDP, Closing the SDG financing gap in the Covid-19 era, p.2 & 4, 2021.

KEY TAKEAWAYS

- Set out in 2015, the 17 SDGs adopted by the United Nations are targets to address the urgent environmental, political and economic challenges facing our world with a 2030 deadline.
- The 17 SDGs cannot be achieved independently of the private sector, given its capabilities to find solutions through innovation, investment and rapid action.
- Cooperation between governments and private and public sectors is crucial to accelerate transition and create an inclusive society.
- There was an estimated financing gap of US$4.2 trillion in 2020.
- Data gaps also need to be filled in order to better monitor progress and establish priorities.
- Various financial instruments can contribute to achieving the SDGs.
- SDGs, sub targets, sectors and market opportunities are all intertwined; investing in one specific product or sector does not contribute to just one SDG.
- The key is to prioritise financial investments in investee companies which are the most SDG aligned.
- Solutions can be found in a variety of sectors through innovative products and services.
- Some opportunities are too niche or need to be scaled up in order to attract public funding. However, a multitude of opportunities are already available on public markets.
- We believe that innovation is necessary to achieve the SDGs by 2030.

I - HISTORY, ACTORS AND STATUS OF THE SDGS

According to a KPMG study conducted in 2022, analysing the top 250 companies based on revenue, a remarkable 96% of companies produce sustainability or environmental, social and governance (ESG) reports(3). This finding underscores the relevance of sustainability issues for companies, whether it be a voluntarily choice or a response to regulatory requirements. Generally, these reports focus on aspects such as progress towards the company's objectives, sustainability impacts or forthcoming actions that the company intends to undertake.

However, an intriguing development is the increasing number of companies that report on SDG-alignment. This trend raises several pertinent questions about the utilisation of a goals-based framework that was initially designed for countries:

1- What is the origin and primary purpose of the SDGs, and what insights can be gained from exploring their historical context?

2- Who were the intended beneficiaries of the SDGs, and does the adoption of the SDGs by companies align with their original intentions and scope?

3- Are companies making a valid and meaningful contribution by incorporating the SDGs into their reporting, and how effectively are they aligning their strategies and actions with the goals outlined in the SDG framework?

These questions shed light on the complexities and implications surrounding the adoption of the SDGs by companies. While the integration of SDGs into corporate reporting signifies a growing recognition of the importance of sustainable development, it also requires a careful examination of the motives, approaches and impact of such implementation. Companies' efforts should not be limited to philanthropy or corporate social responsibility measures; increased capital allocation for SDG-related projects and products is key to fulfilling the 2030 Agenda.

a - The History of the Goals

After the Cold War, member states of the United Nations recognised the need for international cooperation on development issues. As a result, the Earth Summit was established as a platform for collaborative efforts. The inaugural summit, which took place in Rio de Janeiro in June 1992, gathered member states to address various global challenges.

The summit marked a significant milestone, as it led to the signing of an international environmental treaty, which in turn laid the groundwork for the development of the Millennium Development Goals (MDGs). Symbolically signed in 2000, the MDGs consisted of eight realistic and easily communicable goals at addressing key development areas. After 15 years, the MDGs were considered largely successful.

The 2015 MDGs achievement report acknowledged the remarkable progress made through targeted interventions, effective strategies, adequate resources and political will. However, it also highlighted that the work was far from complete and emphasised the need for a new development phase.

Consequently, in 2015, a crucial turning point was reached with the adoption of the 2030 agenda for Sustainable Development by the member states of the UN. This agenda encompasses 17

(3) KPMG Global, Big shifts, small steps, survey of sustainability reporting 2022.

SDGs, each targeting specific themes such as poverty, education and climate change. Within each theme, multiple sub-goals/targets were established, resulting in a total of 169 targets and 232 indicators to measure their progress.

Figure 1: List of the United Nations 17 Sustainable Development Goals

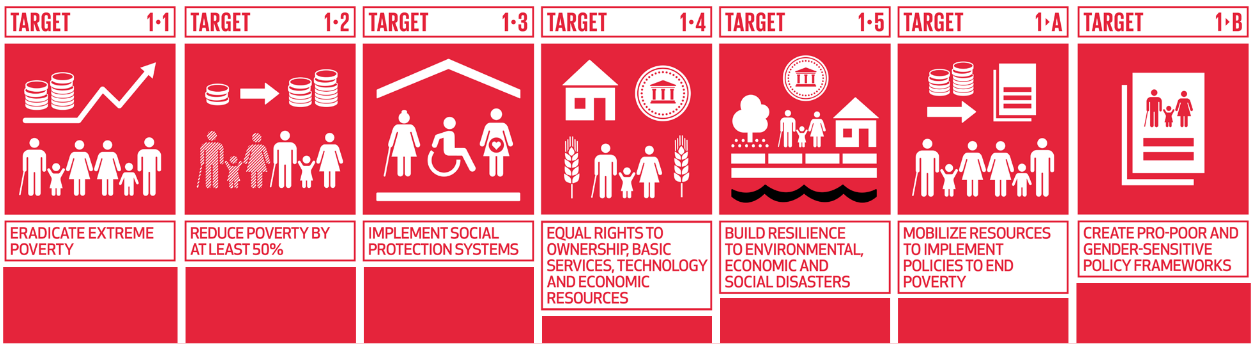

Figure 2: UN SDGs, the 6 sub-targets of SDG 1 'No poverty'

In 2022, the UN published its latest SDG report, providing crucial insights into their progress. As we approach the halfway mark between the adoption and the deadline of the SDGs, it is evident that progress has been alarmingly slow, sometimes even taking a step backwards. A prime example is the United Nations Economic Commission for Europe (UNECE), which aims to promote pan-European economic integration and includes 56 member states across Europe, North America and Asia. The Commission found that only 21 out of 169 targets were on track for achievement in 2023[4], down from 26 last year. This highlights the urgent need for collective and immediate action to align with the 2030 agenda.

The report also brought to light the profound and devastating impact that the COVID-19 pandemic had on the SDGs. The pandemic unleashed unprecedented challenges, pushing an alarming 93

(4) UNECE, Growing challenges for sustainable development: Can the UNECE region turn the tide in 2023?

million more people into extreme poverty in 2020. Additionally, essential health services were disrupted, leading to a significant decline in vaccination coverage for the first time in a decade.

Despite the setbacks caused by the pandemic, the SDGs remain essential guiding principles for policymakers and stakeholders at all levels. They serve as a reminder of the urgent need for coordinated efforts, innovative solutions and sustained commitment to overcome crises and build a better future. SDGs provide a roadmap to navigate unexpected crises and address the underlying causes of increasing inequality, environmental degradation and climate change.

b – Filling the Gaps

Eight years after the establishment of the SDGs, the progress made has highlighted the gaps and challenges that must be addressed to successfully meet these goals. By examining the progress achieved, we can gain a comprehensive overview of the path ahead and the actions required to overcome the remaining obstacles.

1-Financial Gap

There are different sources and methodologies to estimate the exact volume of the financing needed to reach the SDGs by 2030. In 2014, global investment needs were in the order of US$5 to US$7 trillion per year(5). Before the pandemic hit, the annual SDG financing gap was estimated at US$2.5 trillion(6), which increased by 70% to US$4.2 trillion in 2020 due to COVID-19. On the other hand, according to the OECD, total global financial assets reached US$378.9 trillion in 2021(7), meaning it would be just a drop in the ocean for the investment community to cover the SDG financing gap. Allocating c. 7% a year of total assets under management to SDG financing would meet this need.

In addition to financing the gap, there is a pressing need for increased collaboration between public and private financing. By fostering partnerships and receiving support from local governments/public administration offices, it would become possible to attract private investments to crucial sectors like healthcare, which traditionally fall within the realm of the public sector. However, several systemic issues hinder the inflow of such investments, including risks, corruption, misalignment of incentives and lack of technological advancements.

In this regard, blended finance plays a crucial role in advancing the SDGs by mobilizing additional investment, addressing financing gaps and promoting sustainable development. By blending public or philanthropic funds with private capital, perceived risks are reduced, and the financial viability of projects is enhanced. This is particularly important in developing countries or in sectors such as renewable energy, infrastructure, healthcare and education where investment needs are significant due to higher costs of capital. Blended finance initiatives promote knowledge sharing, best practices and collective action. The overall blended climate finance market reached US$16 billion in 2021(8), down from US$17 billion in 2020.

2-Geographical Investment Gap

Out of the total financial assets held by banks, institutional investors and asset managers, more than 80% of financial assets are held by advanced economies fuelling the imbalance of investments and progress between developed and developing countries.

(5) UNCTAD, World investment report 2014, p.11
(6) OECD, UNDP, Closing the SDG financing gap in the COVID-19 era, p.1
(7) OECD, UNDP, Closing the SDG financing gap in the COVID-19 era, p.4
(8) Convergence Blending Global Finance, State of blended finance 2022 report, p.16

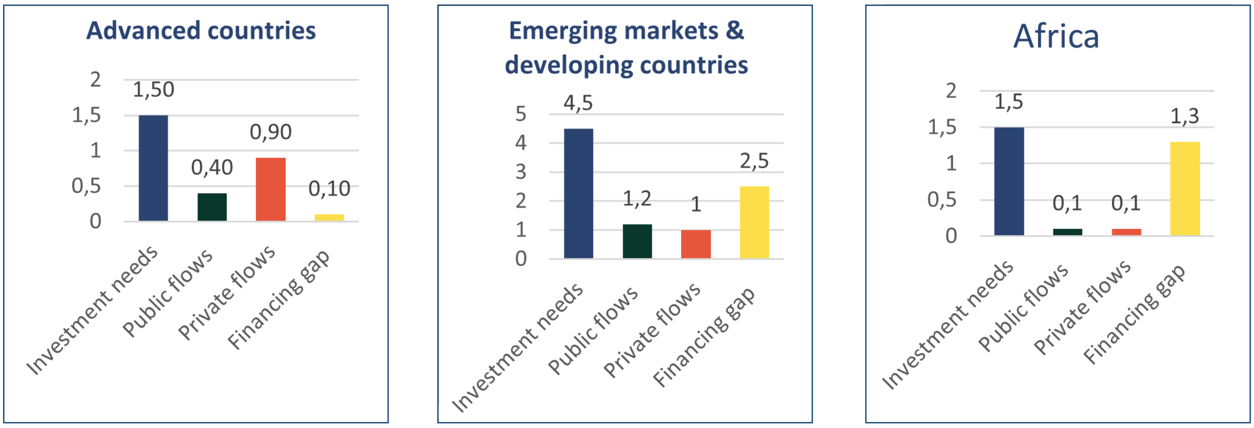

Figure 3: SDG annual financing gap – advanced vs EMDE vs Africa (in US$ trillions) – UNEPFI report: Rethinking impact to finance the SDGs. November 2018

Figure 3, which is based on 2015 data, shows that the public sector has a capacity of filling but one third of the financing needs of emerging and developing countries, leaving a large part to be covered by other sources. The share of private finance in these economies would need to almost triple to fill the gap. Following COVID-19, the gap in developing countries increased by 56% in 2020, totalling US$3.9 trillion(9). The Ukraine War added further financial instability and drove up inflation, widening economic disparities between developed and developing countries. However, according to the OECD, redirecting a mere 1.1% of massive global financial assets totalling US$378.9 trillion towards financing the SDGs in developing countries would be sufficient to fill this gap.

3-Data Gaps

According to the United Nations' Sustainable Development Goals Report 2022, there are substantial data gaps that persist in the monitoring of SDGs. From a statistical perspective, with the 2030 agenda, the number, scope and complexity of goals and targets increased considerably compared to MDGs. The president of the 70th session of the UN General Assembly, Mogens Lykketoft described it as an "unprecedented statistical challenge" (Lebada, 2016).

While considerable progress has been made in terms of the availability of internationally comparable data, significant gaps still remain in terms of geographic coverage, timeliness and level of disaggregation. These gaps pose challenges to both public and private sectors in obtaining a clear understanding of the most pressing issues. Additionally, monitoring the progress of vulnerable population groups becomes even more challenging due to these limitations.

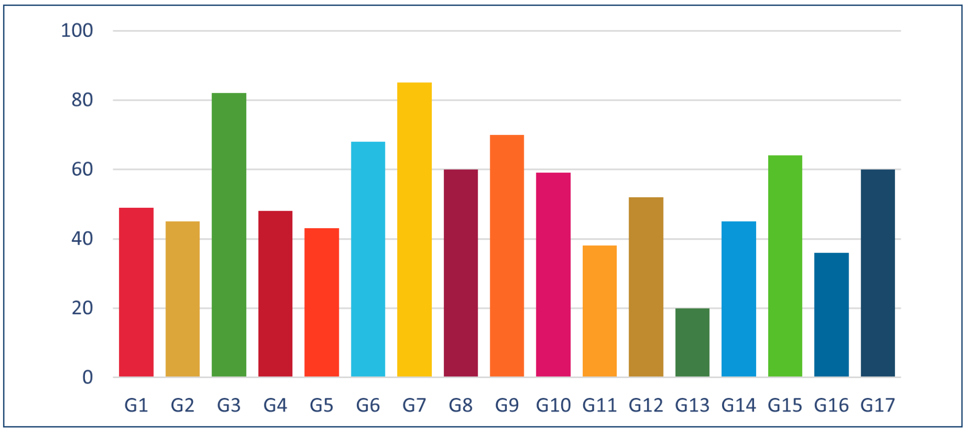

Figure 4: UN, The Sustainable Development Goals report 2022, p.4 Proportion of countries or areas with available data since 2015, by Goal (%)

(9) OECD, Global outlook on financing for sustainable development 2023: No sustainability without equity, 2022.

Interestingly, the pandemic provided an extraordinary opportunity in advancing data collection strategies. During the lockdowns, it was an exceptional challenge for national statistical systems to collect data. It made clear the need for a strong statistical foundation and made it necessary to experiment with innovative data collection methods. Information and communications technology (ICT) infrastructure proved crucial in helping countries carry out data collection and training remotely, as well as in storing data and fostering collaboration. The crisis also fostered stronger partnerships among government agencies, academic institutions, local governments, private businesses and civil society organisations to collect urgently needed data for policymaking.

c – Regulation

Regulation can play a key role in promoting SDG-compatible finance by correcting market failures, increasing transparency and preventing SDG-washing. However, currently they are not sophisticated enough to cover all SDGs. Under the Paris Agreement, countries are expected to submit a Nationally Determined Contribution (NDC) which outlines their commitments to reduce greenhouse gas emissions and strengthen resilience to climate change (SDG 13). The Global Biodiversity Framework (GBF), approved in December 2022, has created new goals on protected areas, financing and disclosures, covering mainly SDG 14 and 15. In the EU, Taxonomy, SFDR and CSRD, although still in flux, are some of the regulations that are promoting corporate (and investor) due diligence and reporting on human rights, climate transition and other sustainability criteria.

A variety of non-financial reporting requirements and directives are being spearheaded by the European Union, the U.S. Securities and Exchange Commission and other government entities. Such policy efforts need to transform voluntary reporting into mandatory reporting for all companies. This shift will help standardise reporting procedures, enhance transparency and enable a more comprehensive assessment of companies.

As of today, under the Sustainable Finance Disclosure Regulation (SFDR), SDG-alignment of investment solutions is optional. If asset managers want to step up from article 6 investment products, SFDR provides two levels of alignment that they can choose to adopt. The regulation provides a framework for transparency and disclosure:

- **Promotion of environmental or social characteristics:** asset managers can choose to promote specific environmental or social characteristics in their investment products. This means that the investment strategy of the fund is designed to contribute to one or more specific environmental or social objective. The SFDR requires clear and accurate information about those characteristics being promoted, including details on how the investment aligns with those objectives, which very often belong to a selected SDG.
- **Sustainable investment:** asset managers may also classify their investment products as having a sustainable investment objective. This means that the fund is designed to have a substantial impact on sustainability and that the investment strategy takes into account sustainability risks. Asset managers opting for this level of alignment must disclose how the investment objectives and strategy contribute to sustainable development, which by extrapolation refers to their contribution to the relevant SDGs.

Asset managers need to specify the objectives they are targeting, explain how their investment approach contributes to those goals and describe any relevant methodologies or criteria used for measuring and assessing the alignment.

d – Frameworks and Guidelines on SDG Alignment for Investors

The current sustainability landscape is confusing: there has been a proliferation of sustainability standards and frameworks which primarily focus on managing and reducing ESG risks. However, they only cover some of the 17 goals and therefore have limited contributions to SDGs enabling investments.

While there is no universally accepted, international sustainability standard to promote the transition of organisations to SDG alignment, there are shared principles of SDG analysis. Efforts to harmonise sustainability standards and practices are being made.

- **Net positive impact approach:** assessing an investment or company's contribution to the SDGs involves considering both its positive and negative externalities across all SDGs, ultimately aiming for a net positive contribution.
- **Do No Significant Harm:** Investments that positively contribute to certain SDGs should not have significant negative impacts on other SDGs. Businesses should strive to minimize adverse effects while maximizing positive impacts. Reporting potential and actual negative externalities is crucial to prevent SDG-washing.
- **Minimum safeguard:** Alignment with internationally recognized guidelines such as the OECD Guidelines or the UN Guiding Principles on Business and Human Rights.
- **Equity in Sustainability:** All SDGs and all countries should be taken into account within the 2030 agenda. Addressing the structural challenge of ensuring that SDG-aligned investments reach regions most in need is essential; the objective is to leave no one behind and no SDG underestimated or ignored.

Investors are increasingly seeking to maximise their contribution to the SDGs. Corporate reporting on SDGs could help companies engage with all stakeholders more effectively, thus maximising business opportunities linked to SDGs, and investors could also make more informed decisions.

Impact Standards: SDG Bond Standards and Private Equity Standards

SDG Impact is a United Nations Development Programme (UNDP) initiative to accelerate private sector contributions to achieving the 17 SDGs. It provides tools, standards and training to companies and investors, helping them to integrate sustainability into their organisational systems and decision-making processes.

These standards address the knowledge gap in the SDGs, helping companies and investors to have a common language on SDG matters. These are practice and decision-making standards, not performance or reporting standards. They define the requirements of four interconnected themes[10]: strategy, management approach, transparency and governance, ensuring effective impact management and decision-making systems.

OECD and UNDP: Framework for SDG-aligned finance

The Organisation for Economic Co-operation and Development (OECD) and the UNDP defined a common framework for aligning finance with the SDGs, aiming to catalyse private sector contribution to SDGs and increase transparency of financial flows. The framework's scope includes private actors and public authorities, helping them to identify and prioritise investments that contribute positively to the 2030 agenda. It includes a three-step approach to align finance with SDGs – mobilisation, alignment and impact.

(10) UNDP, About the SDG Impact Standards

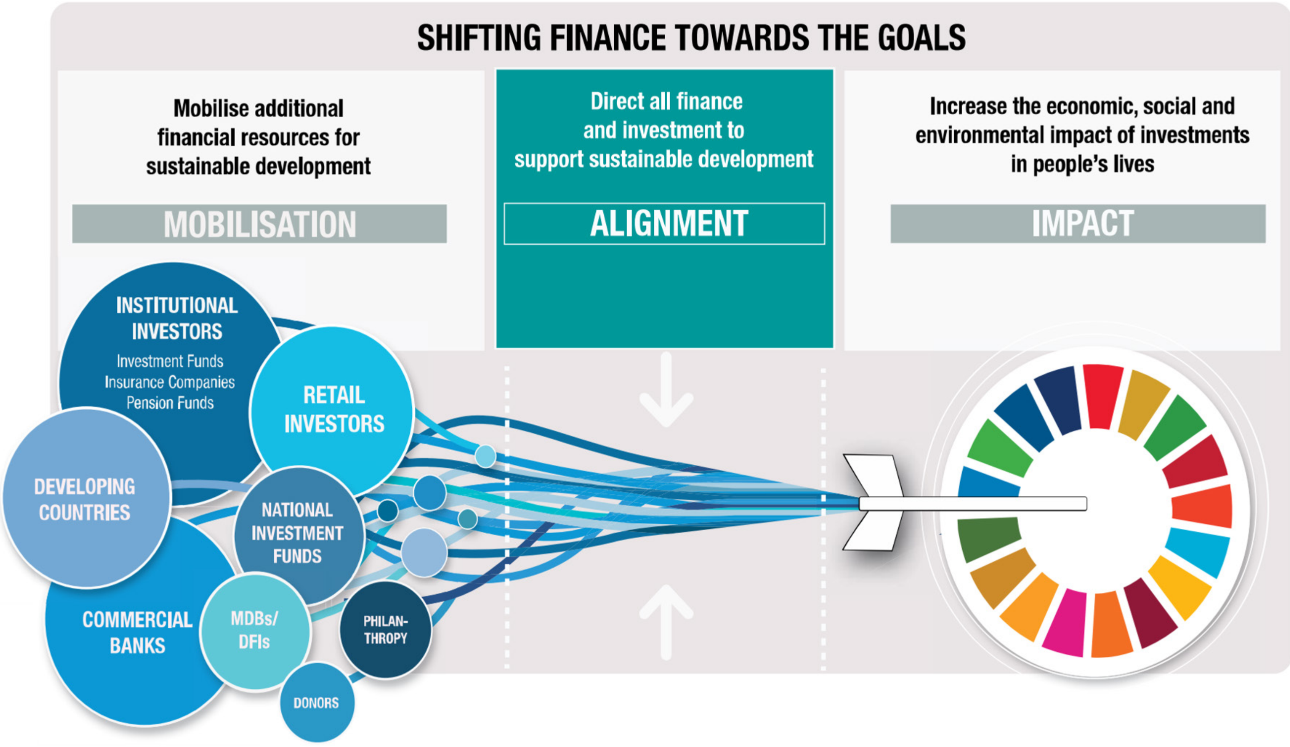

Figure 5: A three-step approach to shifting finance towards the SDGs (OECD, 2018), Global Outlook on Financing for Sustainable Development 2019: Time to Face the Challenge

This framework builds upon existing documents and initiatives, addressing the key challenges that hinder SDG-aligned investments. It proposes three sets of actions, namely policies, standards and tools, supported by concrete examples and initiatives. Additionally, the framework is accompanied by a roadmap that provides tailored recommendations and action plans for various communities to harness their expertise and influence in driving finance towards the SDGs.

PRI: Five-part Framework

According to the Principles for Responsible Investment (PRI), investors have both positive or negative impacts on society and the environment, whether intentional or not, through their actions or inactions. Their business activities, investment decisions and engagement with investee companies can significantly influence outcomes. Investors possess the means to contribute to the achievement of the 17 SDGs and can collaborate to amplify positive impacts and reduce adverse effects globally.

The PRI propose a five-part framework(11) to help investors understand the outcomes of their investments and align actions with the SDGs. They encourage assessing externalities related to investee operations, products, services and SDG-aligned businesses. The 5-part framework is as follows:

- **1-**Individually identify and understand real world-outcomes of their current investments.
- **2-**Individually set policies and targets to lead intentional outcomes.
- **3-**Investors individually shape outcomes in line with targets set (increase positive outcomes and decrease adverse outcomes).
- **4-**Financial system shapes collective outcomes.
- **5-**Global stakeholders collaborate to achieve outcomes in line with the SDGs.

(11) United Nations Global Compact, Investing with SDG outcomes: a five-part framework

ICMA: Green, social and sustainability bonds: a high-level Mapping to the SDGs[12]

The International Capital Market Association (ICMA) guide aims to provide a reference methodology for mapping bond financing objectives to SDGs. It works alongside existing principles like the Green Bond Principles, Social Bond Principles and the Sustainability Guidelines.

It is recommended that bond issuers include SDG mapping in their bond framework and describe how a bond issuance contributes to the achievement of specific SDGs. Instead of merely stating SDG alignment, issuers are encouraged to report SDG-related indicators.

The document identifies eligible projects for social and green bonds across the 17 goals and presents relevant performance indicators for tracking and reporting progress. Issuers are encouraged to report on these indicators at issuance and during the reporting period.

e – Data Landscape

Corporate reporting on SDGs is a significant step for investors due to the absence of mandatory reporting. While companies voluntarily choose to report on SDGs, these reports primarily focus on aligning the goals with their corporate social responsibility (CSR) initiatives and ESG strategies, lacking quantifiable parameters. The study conducted by KPMG in 2022, previously cited, revealed a significant increase in reporting and found that 74% of the G250 companies reported on SDGs, compared to just 43% in 2017. However, the lack of reliable and standardised data presents difficulties in tracking corporate impacts and avoiding SDG washing, where companies make vague or false claims without taking meaningful action. Limited data providers for companies and divergent methodologies pose challenges as the SDGs were initially designed for countries.

- **Revenue-based models** assess companies' alignment with SDGs by analysing their breakdown of revenues. This involves identifying different business activities, classifying revenue streams and determining the percentage contributing to each goal. However, there are two key issues with this methodology. Firstly, the taxonomy of products and services may not fully capture the positive or negative impacts of certain companies, resulting in underestimations or overestimations. Secondly, scores rely heavily on reported revenue disclosure, which is often lacking the desired level of detail. Consequently, estimations are used, introducing inherent inaccuracies.

- **Product/operational alignment** is another method to assess companies' alignment with the SDGs. In terms of product alignment, the goal is to look at the proportion of a company's products or services that have a potential impact on SDGs. For instance, a food company offering healthy food contributes to SDG 2 (Zero hunger). On the other hand, the operational alignment objective is to measure the extent to which companies' operations may have a positive or negative impact on specific Sustainable Development Goals. For example, a company with gender discrimination controversies could be seen as contributing negatively to SDG 5 (Gender equality), despite positive contributions through its products. Both product and operational methodologies can be combined to evaluate alignment.

- **Machine learning and big data:** Data science and artificial intelligence are also used to map companies' contributions to SDGs. The volume of data in the world is increasing rapidly. With artificial intelligence, it is possible to automate the processing of large volumes of data collected from various sources such as company reports, provider

(12) ICMA, Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, 2022

data and other public data. It helps to reduce the time and resources required to process data manually and helps to identify patterns and trends that may not be apparent through manual analysis. Some providers use machine learning and big data to deliver environmental and social data which enables investors to measure the impacts of their portfolios. However, some drawbacks to this exist, such as the quality of the processed information. As AI learns from data, any mistakes or bias in the training input could translate into an unreliable AI support output.

- **Collective Intelligence** is a recent approach to researching and assessing the social and environmental impacts of companies. It offers advantages in addressing complex or uncertain situations by incorporating diverse perspectives and avoiding the limitations of relying solely on experts or a narrow viewpoint. It can help stakeholders, experts and affected communities to agree on priorities of action and make more inclusive decisions. Applied to the assessment of the SDGs, it provides a clearer picture of the impact of companies on the various goals. Additionally, this method is cost-effective as supplier platforms are typically open sources, allowing anyone to contribute without compensation. However, ensuring the quality of collected information is crucial as the open nature of contributions can potentially influence results in a specific direction.

Access to multiple data providers for SDG integration is obviously advantageous but creates inconsistencies in methodology. Providers all use different methodologies to integrate SDGs. This can make it difficult for investors to choose the provider that best matches their convictions and investment strategy. It is therefore the investor’s responsibility to devote the necessary resources to carefully select the methodology that best suits its needs or to develop an in-house methodology.

II – LA FRANÇAISE ASSET MANAGEMENT METHODOLOGY

At La Française Asset Management (AM), we have developed an in-house methodology to identify and select market opportunities that are aligned with the SDGs and our overarching investment approaches. This methodology allows us to navigate the complexities of the investment landscape and focus on the most innovative companies that we consider instrumental in driving sustainability.

To further illustrate our approach, the following pages provide concrete examples and showcase our methodology. The examples demonstrate how our methodology enables us to distinguish and capitalise on market opportunities that contribute to sustainable development.

The Megatrends

To better comprehend the SDGs, we have categorised 16 of the 17 goals according to 4 themes related to megatrends:

- **People:** the global population is projected to exceed 8.6 billion by 2030, according to the latest estimates. Demographics play a central role in shaping our economy and addressing the challenges faced by humanity. A healthy, educated and inclusive population is crucial for ensuring a sustainable future. Human behaviour is the key to swift adaptation and effective mitigation of climate change.
- **Planet:** our planet is struggling to keep up with the demands of modern lifestyle, and the consequences of climate change are reverberating worldwide. By 2030, the world

will be 1.5° Celsius warmer than during pre-industrial times. It is imperative that we prioritise nature and preserve our planet's resources.

- **Infrastructure:** it is widely acknowledged that by 2030 two-thirds of the world's population will reside in urban areas. This migration requires improved access to essential resources such as water and electricity, essential for a quality of life.
- **Information:** a cornerstone of our digital and technological future. With a growing global population, there is an increase in the number of internet-connected devices. By 2030, it is projected that 75% of the world's population will have access to mobile connectivity. This widespread access to information will have a profound impact on how we communicate, collaborate and interact.

Figure 6: Mapping the megatrends to SDGs

a – Mapping market opportunities to SDG sub-targets

To represent the essence of our methodology, we have developed a framework to map SDG sub-objectives to existing and investable market opportunities. The methodology guides our research, analysis and decision-making processes, enabling us to contribute to sustainable positive change while driving economic growth.

The identification of SDG-aligned market opportunities is the focus of our research and analysis. As shown on the right-hand side of the matrix (see Figure 7), market opportunities are linked to economic activities or sectors. We identify industries that are critical, from a technological and services perspective, to achieving SDG sub-targets and apprehend their unique challenges and growth potential. By aligning market opportunities with the SDGs, end-investors stand to gain from tomorrow's growth sectors, while maximising the impact of their investments on society and the environment.

There is potential overlap between market opportunities, SDGs and sectors. For example, a specific technology developed in one sector can contribute to multiple SDGs, i.e., renewable energy capacity can benefit both SDG 7: "Affordable and Clean Energy" and SDG 13 "Climate Action".

Another example is the real estate sector. It exhibits a clear connection to SDG 9: "Industry, Innovation and Infrastructure" as it provides physical space and infrastructure for economic activities. Additionally, it directly influences SDG 11: "Sustainable Cities and Communities" by creating liveable and inclusive urban environments. The sector can also contribute to SDG 1: "No poverty" by promoting affordable housing solutions and improving access to decent living, as well as SDG 13: "Climate Action" by adopting sustainable building practices and reducing greenhouse gas emissions. However, achieving all the targets of SDG 9 requires contributions from various sectors such as real estate, technology, construction, materials, and energy.

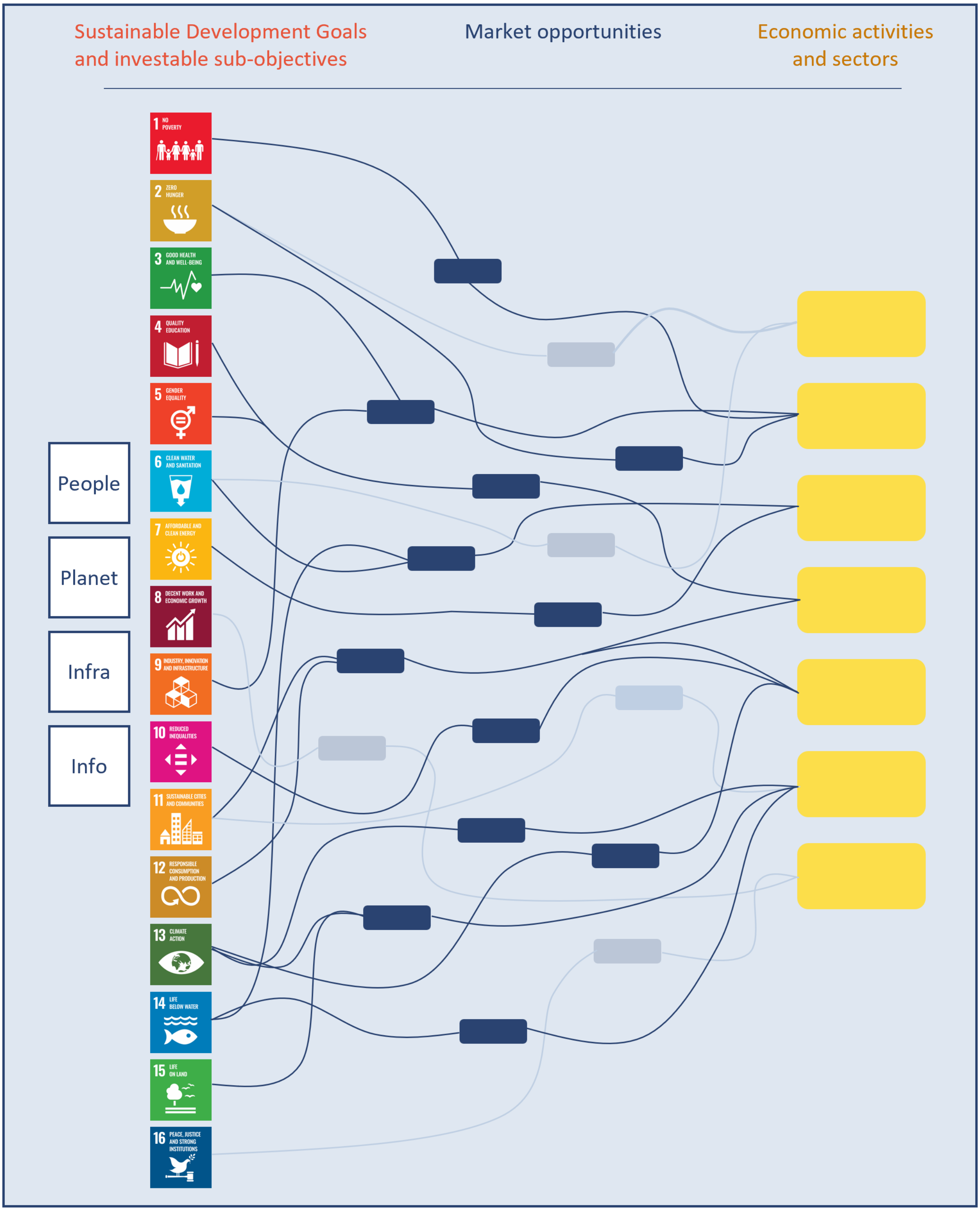

Figure 7: La Française AM, the Sustainable Development Goals Matrix

b – Investment Opportunities

When evaluating investment opportunities, it is crucial to assess their potential positive impacts. Our primary objective is to map out market opportunities (existing and future). This approach allows us to identify and analyse investment prospects that align with our goal of driving positive change while considering their growth potential.

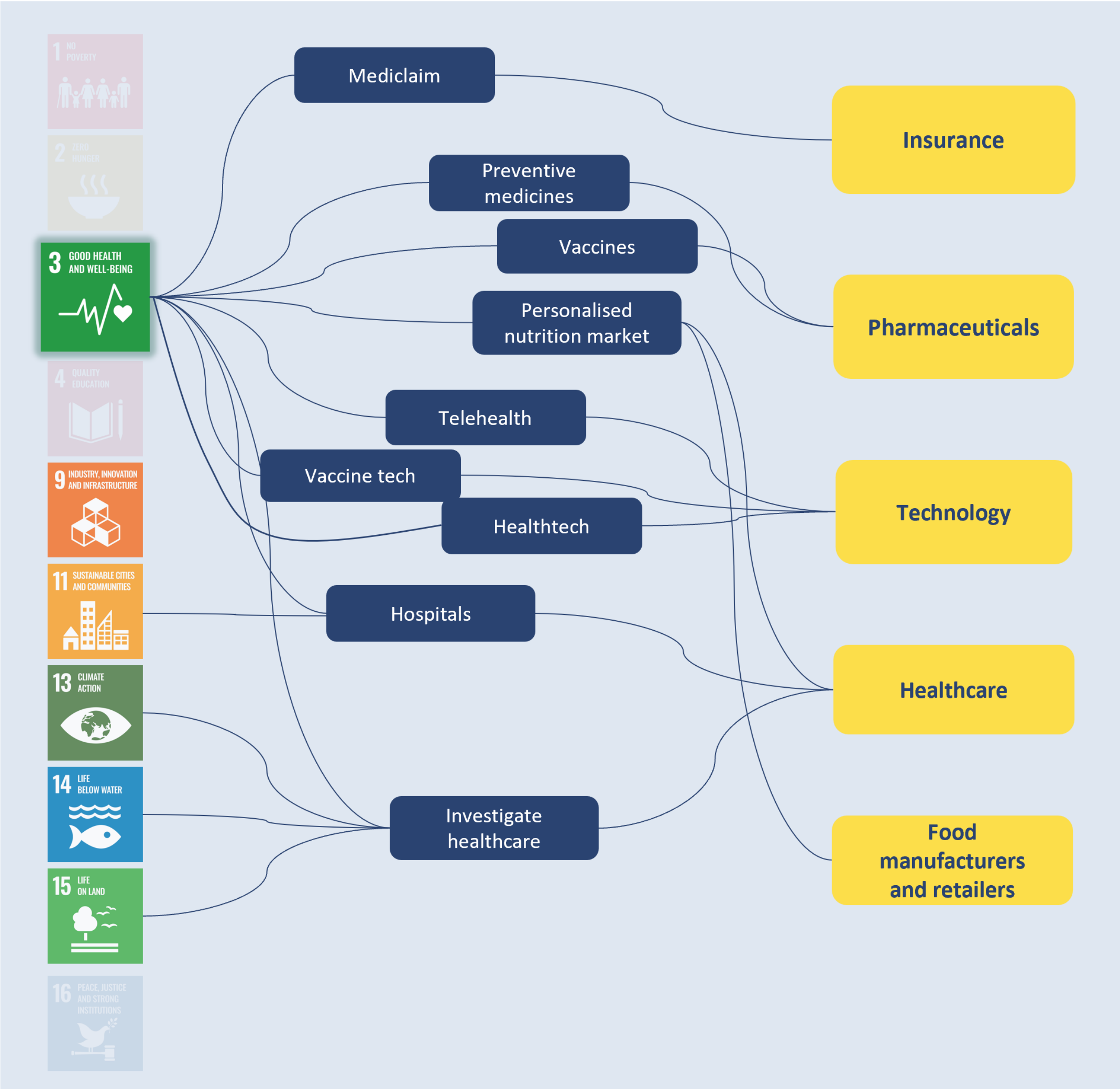

Figure 8: Market opportunities for the SDG 3

1-Interconnected investment opportunities with a positive impact on health

SDG 3: "Good Health & Well-Being" has 13 sub targets, for which we identified market opportunities and categorised them under four main sectors – Healthcare, Pharmaceuticals, Technology and Insurance. Once the market opportunities are identified, we try to estimate the market size and growth expectations to filter investable opportunities as of today. For instance, the telehealth market is expected to represent US$225 billion by 2030, which translates into an annual growth rate of approximately 18.81% between 2022 and 2030[13].

(13) Bloomberg, Telehealth market size worth USD 22.87 billion, globally, by 2030 at 18.81% CAGR – Exclusive report on telemedicine industry, April 2023

Companies in this space are already gaining ground. Telehealth contributes favourably to SDG 3 by improving access to healthcare, reducing costs and promoting long-term regular care especially for patients with chronic conditions.

Another market opportunity related to SDG 3 is personalised nutrition. Market research estimates the sector to reach more than US$37 billion by 2030, which translates into an annual growth rate of 11.48%[14]. However, this segment is accounted for within growth prospects and market shares of large food manufacturers and retailers. Industry transition will ultimately be driven by opportunities related to vertical and horizontal integration of products and services.

2-Wastewater treatment

At the current rate, billions of people are projected to lack access to clean water, sanitation and hygiene by 2030. Fortunately, one of the promising market opportunities that can address this challenge lies in the field of wastewater treatment. This sector serves a dual purpose: it not only caters to the needs of our growing population by providing access to safer water but also contributes to the preservation of natural resources.

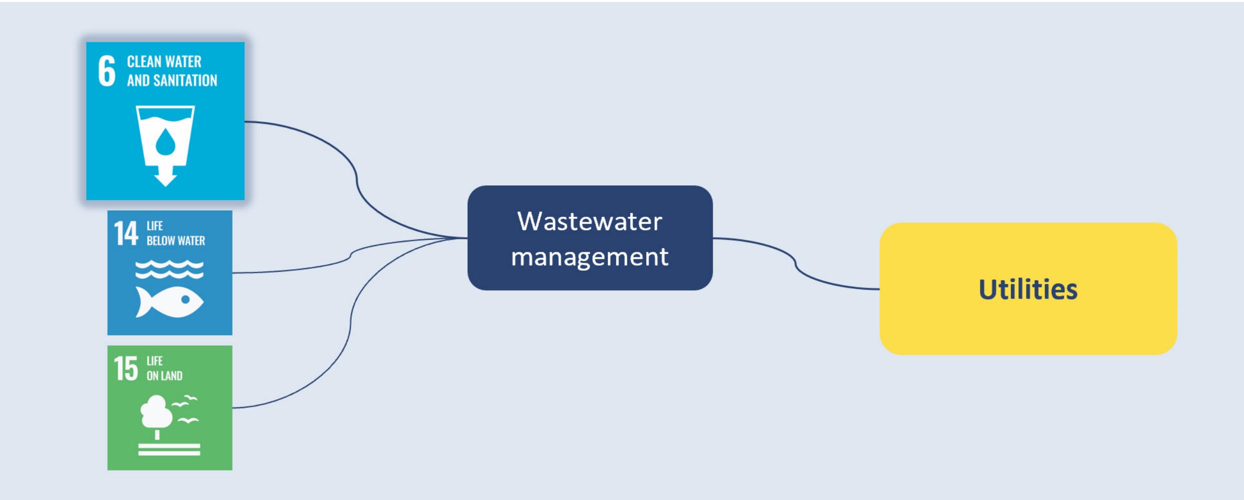

Figure 9: Wastewater management as a market opportunity

Wastewater management primarily contributes to SDG 6: "Clean water and Sanitation". By controlling the discharge of polluted water and reducing marine pollution, wastewater treatment plays a crucial role in achieving SDG 6. Additionally, it indirectly supports SDG 14: "Life below water" and its sub target 14.1: "Reduce marine pollution" by preserving the health of marine ecosystems. It also supports sub target 15.1: "Ensuring the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and in particular forests, wetlands, mountains, and drylands".

The size of this sector is estimated to reach US$497 billion by 2031, which is an annual growth rate of 7.41% between 2023 and 2031[15]. Moreover, advancements in treatment technologies, such as nanofiltration, are becoming increasingly widespread in water and food & beverage industries. These innovative technologies not only enhance the efficiency of wastewater treatment but also contribute to cost reductions. Additionally, the implementation of smart water management systems further bolsters environmental sustainability by optimising resource allocation and minimising waste.

(14) Bloomberg, Personalized nutrition market to reach USD 37.3 Billion by 2030, Growing at a Cagr of 11.48%, Valuates reports, December 2022
(15) Globe News wire, Global wastewater treatment market to reach valuation of US$ 496.76 billion by 2031: Astute Analytica, April 2023

3-Content moderation

Information technology is crucial for the SDGs. It is one of the four megatrends. The use of smartphones for personal and business purposes has led to a vast amount of data generation, increasing the demand for content moderation solutions. Pressure has been placed on governments and social media platforms to monitor and manage digital content. In 2020, the global content moderation solutions market was estimated at over US$7.9 billion and is expected to grow by 13.2% annually to reach US$32 billion by the end of 2031[16].

This is a significant market opportunity and there are many BPO (business process outsourcing) solution providers and software companies that offer their content moderation services to the larger platforms and public organisations. In our view, these businesses, which fall under the Software & Services sector, contribute directly to SDG 16, Target: 16.2 "End abuse, exploitation, trafficking and all forms of violence and torture of children" by creating a safer digital environment.

(16) Bloomberg, Content moderation solutions market to cross US$32 Bn by 2031, TMR Report, March 2022

c - Company case studies

1 - BRAZILIAN LOGISTICS COMPANY

The fast development of this railway line logistics company in Brazil is driven by multiple factors. Firstly, the company's focus on sustainable transportation is aligned with the country's need for eco-friendly solutions, which are crucial to its development. By providing fast and safe travel options, the company meets the needs of millions of Brazilians who depend on efficient transportation.

Furthermore, support by the local government has accelerated the company's growth. Since late 2021, the government has allowed private sector firms to build and operate short-line rail networks. This favourable policy environment, combined with the company's commitment to sustainability and meeting the demand for efficient logistics, has contributed to its rapid expansion in the railway logistics sector. The company should benefit from the smart transportation market which is expected to grow by c. 17.5%[17] over the current decade.

Sub target 9.2 – "Promote inclusive and sustainable industrialisation and, by 2030, to raise significantly the industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries."

→ Project of agricultural logistics infrastructure transformation in Brazil: installation of 743km of railway tracks, investment of between R$9 to R$11 billion. The project represents more than 236,000 direct, indirect and induced jobs.

Sub target 11.2 – "By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, i.e., women, children, persons with disabilities and older persons."

→ Objective: to achieve 100% traceability of transported agricultural products by 2025. It has introduced an electric railway tractor in one of its workshops as well as a traffic control and monitoring system to reduce transit time and pollutants.

Sub target 13.4 – "Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly US$100 billion annually by 2025 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalise the Green Climate Fund through its capitalisation as soon as possible."

→ The company issued the country's first sustainability-linked derivative (R$1.5 bn) and the first green freight railway bonds in Latin America (R$500 million, 7 years).

Besides those main SDGs, it is worth noting that the company also generates a positive impact on other sub-targets such as "Reducing inequalities by promoting gender diversity, good health and wellbeing by ensuring safety in workplace" but also "No poverty by prioritising the hiring of local labour".

(17) Blomberg, Smart transportation market is expected to grow at a CAGR of 17.5% from 2021-2028 to reach $33.62 Billion by 2028

2 - EUROPEAN LABORATORY

The company is a leading international group of laboratories that provide analytical testing services to the pharmaceutical, goods, environmental and consumer products industries, as well as to governments. It holds top market-share positions in Europe and North America and is known for its expertise across major business lines. That is why the company is well positioned to benefit from stricter regulations in countries which are increasing their requirements on the quality and safety of food and the environment. This player should benefit from the c. 8%[18] annual growth rate expected over the next five years on the end markets of food and environmental testing.

The company also strives to establish and strengthen its global and local leadership positions in markets where scale is critical, such as the Asia Pacific region. This region is experiencing rapid regulatory development, and people are becoming increasingly aware of the importance of their quality of life. As a result, there is a growing demand for analytical testing services to meet these needs.

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2 ZERO HUNGER

Sub target 2.2 – "By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons."

→ Setting the new standard in infant formula testing, protecting vulnerable groups.

→ 130,000 analytical methods assessing the safety, purity, composition, authenticity and traceability of food products and ingredients.

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3 GOOD HEALTH AND WELL-BEING

Sub target 3.3 – "By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases."

→ The company's clinical diagnostics service is responsible for the detection of bacteria, viruses, fungi and parasites. Over 65,000 patients are treated daily and over 110 million tests are performed annually.

3 GOOD HEALTH AND WELL-BEING

Sub target 3.9 – "By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination."

→ Testing of water, air, soil, waste, pollution and other bodies, enabling quality assessment.

→ A proprietary materials analysis can detect the presence of more than 200 environmentally contaminating substances in soil, and groundwater samples helps reduce illness and death from unsafe water, sanitation and hygiene.

3 GOOD HEALTH AND WELL-BEING

Sub target 3.b – "Support research, development and universal access to affordable vaccines and medicines."

→ Global market leader in Pharma Discovery services; provides drug discovery researchers with assays and kits for drug screening and profiling.

→ It offers a range of over 200,000 analytical methods for evaluating the safety, composition, authenticity and purity of biological substances and products.

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(18) BCC research, Global market and technologies for food safety testing, April 2022 for the forecast period of 2021 to 2026. Markets and Markets, Environmental market by sample, target tested, end users and region – Global Forecast to 2027

CONCLUSION

This report underscores the critical and time-sensitive need for the private sector to invest in the achievement of the Sustainable Development Goals, while recognising the significant market opportunities associated with this endeavour. The urgency of the situation necessitates a fast-growing commitment from the private sector as we progress towards the 2030 deadline.

The complexity of the situation is evident as the financing gap continues to grow in developing countries. This highlights the importance of proactive engagement by companies to address the challenges at hand.

The market is currently undergoing a significant transformation, as methodologies are implemented, and approaches are improved. As institutional investors, we bear the responsibility of acting in the best long-term interests of our clients. To fulfil this duty, we must incorporate all value drivers into our decision-making process. La Française AM's approach allows to focus investment on SDG-aligned companies. La Française AM seeks to identify innovative companies that have a positive net impact on the SDGs and that can ultimately drive the performance of client portfolios.

We firmly believe that funding, cooperation and knowledge sharing are essential to effectively address the SDGs. Stakeholders have a joint responsibility to align their efforts and collectively work towards achieving the SDGs. By embracing the urgency and taking decisive action now, we can create a more equitable, inclusive and sustainable society for future generations. Together, we can bridge the gap, achieve the SDGs and build a better world. With less than seven years remaining until the 2030 deadline, time is of the essence. The private sector, with its investment capacity and influence, must seize the opportunity to drive sustainable development, leaving a positive and lasting impact on our planet and society.

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