

WEC Virtual Workshop

"HOW CAN BUSINESS
COLLABORATE TO ACHIEVE
MEANINGFUL IMPACT ON
ADVANCING SDGS?"



Merck KGaA
Darmstadt, Germany

Practical Experience of Global Companies with the UN Sustainable Development Goals
SDG Workshop Series # 4 – Collaboration for Impact

May 20, 2021: 16:00-17:30 CEST (Berlin) / 10:00 am-11:30 EDT (New York)



How business opportunities through the SDGs are starting to create financial value

Herman Brill
CIO at UNJSPF
New York

Sustainable Investing
based on SDG
framework – SDI
Asset Owner
Platform

SUSTAINABLE DEVELOPMENT INVESTMENTS (SDIs) TAXONOMY & GUIDANCE

June, 2020



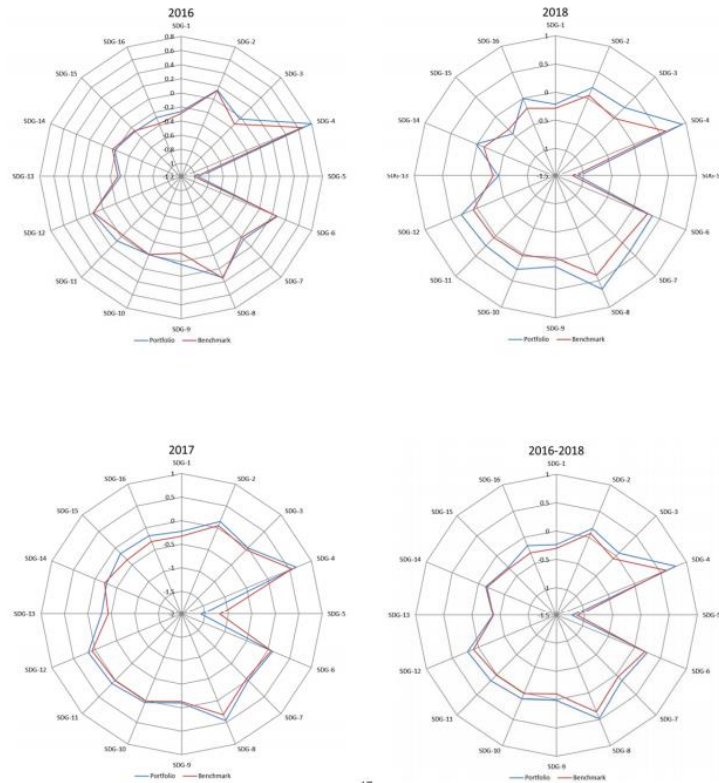
In Search of Impact report: the Sustainable Investment Framework



- All investment has an impact on the world – negative or positive - whether intended or not.
- The Sustainable Investment Framework provides investors with a way to **holistically measure** investment outcomes against all 17 SDGs, concentrated into a **dashboard** of six core themes.
- The report shows significant improvements in data/disclosure are required but sets a practical roadmap for public equity and credit portfolios. Each metric therefore has an **ideal version** and a **basic version** (what we can measure today).

Source: <https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/in-search-impact-measuring-full-value-capital-update>

Figure 2: SDG Footprints of Momentum Portfolio
Contemporaneous Raw SDG Scores



Sustainable Investment – Exploring the Linkage Between Alpha, ESG, and SDG's¹

SSRN Working Paper

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Abstract

Environmental, Social and Governance (ESG) investing has been one of the most important topics in asset management this past decade. Yet, for all the attention, only a fraction of asset managers truly consider ESG issues when making investment decisions. This is partly due to the perceived conflict of ESG investing with an asset manager's fiduciary duty and partly due to low-quality ESG data despite the near ubiquity of sustainability reports. We analyze the relationship between alpha generation and ESG metrics, and measure the impact companies have on the U.N.'s Sustainable Development Goals (SDG's). First, we construct a sector-neutral portfolio using MSCI ESG momentum scores from 2013 to 2018, and determine that it is feasible to generate positive alpha vis a vis the MSCI US index. Second, we utilize structured and unstructured data to determine a company's net influence on the SDGs, what we call its SDG 'footprint.' We show that an ESG momentum portfolio both outperforms the MSCI US index and has a relatively better SDG footprint than that of the index. Third, we establish a positive contemporaneous connection between the portfolio's ESG ratings momentum and its SDG footprint. Thus, a positive linkage exists between ESG, alpha, and the SDG's.

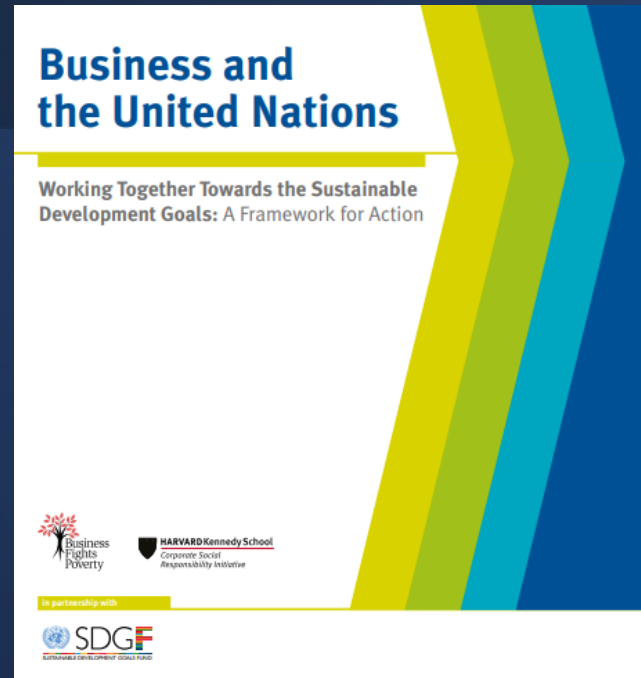
Keywords: ESG, SDG, asset management, alpha, fiduciary duty, risk factors.

¹ We thank the Office of Investment Management at the United Nations Joint Staff Pension Fund for initiating the original idea of this research and their work on testing the alpha assumption of the active ESG momentum portfolio. The views expressed in this paper are those of the authors and do not necessarily reflect the views of the United Nations.


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Publications



How can you collaborate on SDGs?

1  LEVERAGE / EXCHANGE	2  COMBINE / INTEGRATE	3  TRANSFORM
<p>One partner contributes to the work of another, or partners exchange resources, to allow one or both partners to deliver more.</p>	<p>Two or more partners combine their resources to together deliver more than each could deliver alone.</p>	<p>Multiple actors work together through collective action to tackle complex challenges usually through system transformation.</p>
<p>Often transactional, one-way transfer or reciprocal exchange of skills, knowledge, funding etc.</p> <p>Involves negotiation to maximize the gains on both sides.</p>	<p>Characterized by co-generation, mutual accountability, and innovative approaches.</p> <p>Involves brainstorming and creative dialogue to together develop new approaches that create value.</p>	<p>Involves multiple actors bringing together unique and complementary resources, all essential pieces of a jigsaw puzzle.</p> <p>Requires multi-stakeholder dialogue to understand the system and engage the players required to make interventions.</p>
<p>Value created</p> <ul style="list-style-type: none"> Organisational value 	<p>Value created</p> <ul style="list-style-type: none"> Organisational value Mission value 	<p>Value created</p> <ul style="list-style-type: none"> Organisational value Mission value
<p>Applicable when: each partner has something that is more valuable to the other than to themselves, resulting in net gain on exchange.</p>	<p>Applicable when: bringing together complementary resources results in new approaches delivering value to all.</p>	<p>Applicable when: an issue is sufficiently complex that a systems approach is required to tackle it.</p>
<p>Example: Coca-Cola and the Global Fund</p> <p><i>Project Last Mile leverages Coca-Cola's logistic, supply chain, distribution and marketing expertise to build African governments capabilities to ensure communities have better access to life-sustaining and life-enhancing medicines. Coca-Cola gains by demonstrating its commitment to a better planet as well as providing employee engagement opportunities.</i></p>	<p>Example: SOLShare / Grameen Shakti (see case study 1)</p> <p><i>Smart Peer-to-Peer Solar Grids for Rural Electrification & Empowerment' is a Bangladesh-based partnership between a social enterprise, SOLShare, and a major supplier of renewable energy, Grameen Shakti, which is being supported and enabled by UN DESA.</i></p> <p><i>Grameen Shakti brings access to its massive existing customer base and network of solar homes, as well as its knowledge of the communities, and SOLShare brings cutting edge, innovative technology with the potential to transform the supply of affordable energy to low-income households in Bangladesh.</i></p>	<p>Example: Scaling Up Nutrition</p> <p><i>Scaling Up Nutrition (SUN) is a global, country-led and multi-sectoral movement to combat undernutrition and catalyse support for countries to 'scale up nutrition', with a focus on a set of evidence-based direct nutrition interventions.</i></p> <p><i>At country level, multi-sector (e.g. ministries of education, health, agriculture) as well as multi-stakeholder collaborative action (including business, civil society, the UN) is facilitated to deliver system change.</i></p>