

Pensions & Investments
Managers hard at work on sustainable development
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As a number of pension funds around the world come to grips with implementing the United Nations' 17 sustainable development goals into their portfolios, money managers have also been working away in the background.

Despite the work by some high-profile institutional investors, some managers said they are not yet getting questions from their clients.

"Clients are not bringing it up with us directly yet, but companies are," said Will Oulton, global head, responsible investment at First State Investments in London. "We have seen companies quite proactive in saying, 'We're going to report on how contributing to the SDGs is most relevant to our sector,'" he said.

First State itself has been working on the goals and how to align them with portfolios. Executives work with the University of Cambridge's Investment Leaders Group to develop appropriate metrics that can translate to portfolios.

"With the (Investment Leaders Group) we have an aspiration to be able to report on a number of dimensions, one being the real economy impact of our investment portfolios," added Mr. Oulton.

He said one positive aspect of the goals is that they have created a language and lexicon around the topic. "I think the SDGs can build that bridge between companies and investors. It will take time, but companies understand what it means to their business, and in time investors" may choose to use the goals to measure outcomes.

This idea of creating a framework was highlighted by PGGM, which runs the assets of the 188.5 billion (\$222.7 billion) Pensioenfondsgroep Zorg en Welzijn, Zeist, Netherlands, among others. "If you want to be impact investors, I think we have simply got to adopt the menu of impact themes that the community as a whole has embraced," said Piet Klop, senior adviser responsible investment at PGGM. "So the SDGs we think are almost the shared language that people are learning to speak when talking about impact. Impact is mostly defined along those SDGs, (and) that's how we should organize ourselves. You can't talk about impact without mentioning the SDGs now."

Robert de Guigne, Geneva-based head of ESG solutions at Lombard Odier Investment Managers, said demand is picking up and that executives at the firm "believe that SDGs have the power to establish a strong new investment framework.

"We have been working on responsible investment solutions for over two decades and this looks like a first unifying approach to report everyone's effort to contribute in finding solutions to world issues," he said. While the goals are "relatively easily applied to individual countries, it is a much more difficult task to see how corporates might contribute to this agenda," he said.

Other managers are also focusing on the issue.

BMO Global Asset Management assesses and reports on how investments in its responsible global equity strategy are aligned with the goals. Jamie Jenkins, director and head of responsible global equities in London, said while executives had not built the portfolio specifically to address the goals, "we hoped, when we did a mapping exercise, that our portfolio did have a pretty reasonable alignment with the 17 SDGs because of what we're trying to do — (place) sustainability at the heart."

Detailed analysis to understand how the strategy's companies and engagement actions address the goals showed strong connectivity, and executives will work to advance this connection even further going forward. The work was all the more important given interest from larger institutional clients in continental Europe on the topic, as well as increasing interest in the U.K., added Mr. Jenkins.

"Because of that rising interest we felt we needed to step up to the mark and demonstrate how the companies we hold are (aligned to) the SDGs," said Mr. Jenkins. One team member was tasked with the "deep and rigorous process to try and track which companies genuinely have a link to the SDGs," while trying to "avoid any SDG greenwashing. I was very much determined that what we put together will stand up to close scrutiny with a very rigorous methodology about how we track these SDGs," he added.

A lot of work has been done in the Netherlands.

Money manager Robeco and 17 other Dutch financial institutions, representing or managing 2.8 trillion (\$3.3 trillion) in assets, have signed the sustainable development goals investing agenda and have invited the Dutch government and central bank "to join them in continuing to make a concerted effort to support the" goals, said Masja Zandbergen, head of ESG integration, and Carola van Lamoen, head of active ownership at Robeco in Rotterdam, in an emailed comment. "We also see that some large pension funds in the Netherlands have actually already set specific targets for SDG investments amounting to a substantial part of their portfolio."

Robeco and its sustainability focused affiliate RobecoSAM have "combined forces to contribute to the 17 goals. Both in equities and credits (we) are working on developing SDG solutions."

Some managers are seeing interest in specific sustainable development goals.

"The research shaping our strategy shows that the largest appetite for SDG-aligned investment is in health and well-being, affordable and clean energy, and climate change," said Douglas Hansen-Luke, executive chairman at ethical venture capital firm Future Planet Capital in London. "By focusing on these issues, with the broader aim of addressing SDG 17, (to strengthen the means of implementation and revitalize the global partnership for sustainable development), we have secured commitments of over \$300 million in funding for sustainable innovation."

But the importance of delivering returns to clients is not lost on Future Capital Planet executives.

"While impact is important to us, it does not come second to securing returns. We think investment shouldn't be a compromise between doing good and doing well. Our model offers a way to maximize returns while achieving the goals set out by the UN. By focusing on education, climate change, sustainable growth, health and security, we give our clients unrivaled access to innovation addressing 11 of the 17 goals," added Mr. Hansen-Luke.

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