SDG Impact Portfolio Report

Introduction

Inrate's SDG Impact Portfolio Report provides information on how an investment portfolio contributes positively and negatively to the Sustainable Development Goals (SDGs) of the United Nations. The analysis is based on Inrate's Business Segmentation Analysis, which allows to split a company's revenue in over 400 standardized business activities. For each business activity, positive or negative contributions are assigned to each SDG. Additionally, the incorporation of our ESG Impact Rating allows for a company-specific assessment.

Background

The 2030 Agenda and its Sustainable Development Goals, endorsed by all 193 UN member states in September 2015, reflect the global priorities to address the world's most pressing environmental, social and economic challenges. These 17 issues and their 169 targets, inter alia, strive for eradicating extreme poverty, achieving gender equality, ensuring access to water, making cities sustainable, or combating climate change and its impacts. The SDGs provide a common framework for public and private stakeholders to set their priorities and strategies as well as mobilizing the necessary capital to addressing the global challenges.

Key Benefits
- Applicable to equity and bond portfolios
- Internal or external reporting tool for institutional investors
- Shows positive and negative contributions of a portfolio towards SDGs
- Includes a benchmark comparison
- Update cycle can be adjusted to client needs
- Based on Inrate's proprietary Business Segmentation Analysis

## SDGs provide guidance on private sector action

The goals and targets of the SDGs have been developed through a broad process including representatives from governments, private sector and civil society. While the formulation of the goals is targeted towards countries, actions from the private sector and the financing thereof is crucial to achieving the SDGs. The targets thereby provide an indication on which issues the private sector needs to address to provide an added value to a specific SDG.

Through the range of products and services a company provides, it may contribute positively and negatively to different SDGs. To take into consideration further ESG factors such as the CSR activities and controversial practices, a company's overall ESG grade is included in the final assessment.
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Example for a global equity portfolio

The picture to the right shows how the overall contribution of a global equity portfolio (measured in m USD) is distributed between positive and negative contributions and between the SDGs.

In the report, these findings are further drilled down on activity, sector and company level.

Legend: A / very positive · B / positive · C / negative · D / very negative
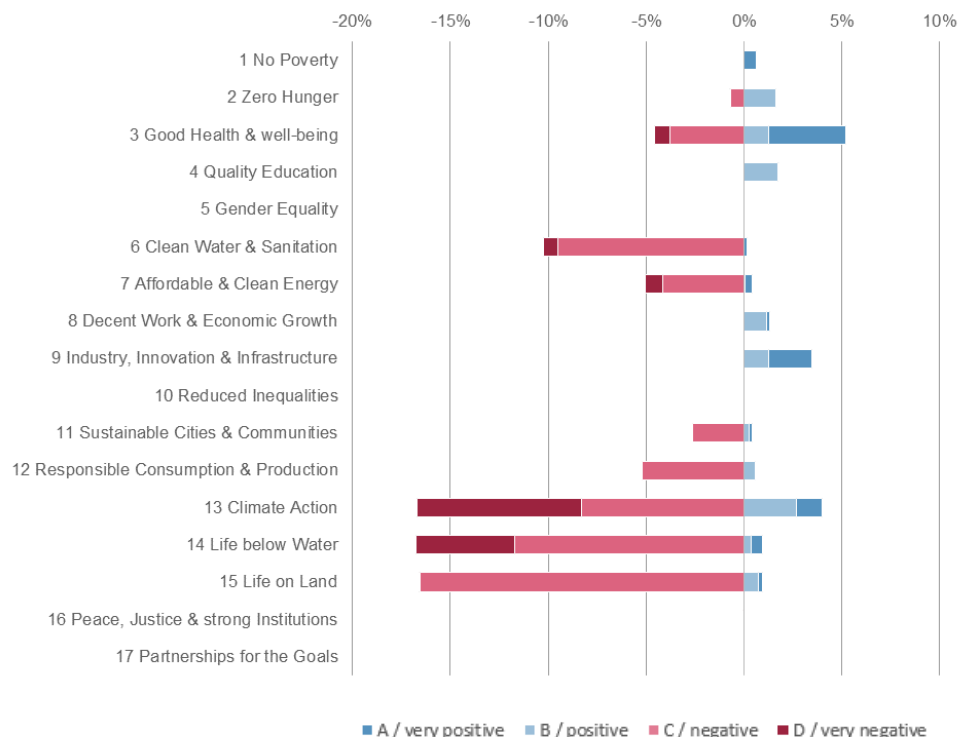
Analysis Methodology

Client portfolio

Listed equity and/or corporate bonds

Ownership share

In order to determine the portfolio's contribution to the SDGs, the share of the annual turnover of the companies attributable to the portfolio is calculated.

Contribution to SDGs

The revenue shares per Inrate Business Segment are then multiplied by their contribution per SDG.

Each business segment may have positive and/or negative contributions to several SDGs.

How companies may contribute to SDGs

Companies may contribute to the different SDGs through the products and services they provide. In the following, examples of products and services that have a positive (+) or negative (-) impact on the respective SDGs are provided:

SDG 2: Zero Hunger.

+ Rice and wheat farming may contribute to food security.

− Biofuels are mainly made from food crops and thus may challenge food security.

SDG 15: Life on Land

+ Environmental consulting may contribute to the protection of species.

− Pesticides are negatively affecting species diversity and their habitats.

SDG 7: Affordable and Clean Energy

+ Hydropower is an important source of clean and renewable energy.

− Coal plants cause air pollution and global warming.

SDG 16: Peace, Justice and Strong Institutions

+ Legal services may have a positive impact on the rule of law.

− Arms and ammunitions can generally not be considered as conducive to peace.

About Inrate

Inrate is an independent Swiss sustainability rating agency. Since 1991, Inrate links its in-depth sustainability analysis with innovative data and services for the financial industry. Inrate's ratings and data are a measure of the impact companies have with their activities on society and the environment as well as their actions to effectively tackle the global sustainability challenges. Inrate's research methodology has been developed and enhanced over the past 20 years.

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