



abrdrn Position Statement – The Sustainable Development Goals (SDGs)

September 2021

Our Approach for Investments

The issue – What are the SDGs?

The United Nations (UN) Sustainable Development Goals (SDGs) were adopted by UN member states in 2015 as part of the UN's wider 2030 Agenda for Sustainable Development. There are 17 SDGs, which provide a roadmap for addressing some of the most pressing global challenges, such as poverty, inequality, climate change, environmental degradation, peace and justice.¹ The UN designed the SDGs to be universal, integrated and indivisible. The 17 SDGs are underpinned by a list of 169 targets, tracked by 232 indicators. More information can be found here.



How can investors use the SDGs?

The SDGs cover a wide range of issues. In our view, they focus on three main themes: climate change, unsustainable production and consumption, and social inequality. The prominence of these issues and the ways in which they manifest themselves vary by country and region. Ultimately, however, these are global challenges that need attention and action from all levels of society to achieve lasting progress.

While the goals are primarily directed at governments and policymakers, they also act as a compelling call to action for the private sector. The UN estimates that it will cost \$5–7 trillion per annum to achieve the SDGs,² but current investment only totals about half of this.³ Government efforts alone cannot achieve all of these goals. With global financial assets estimated to be worth over \$200 trillion,⁴ investors are well positioned to help fill this funding gap and contribute to global efforts to achieve the SDGs.

Within investment decision-making, the SDGs can complement a more traditional approach to environmental, social and governance (ESG) integration and in many ways advance this type of analysis. Using the SDGs as a framework can help investors identify future risks and opportunities.

The SDGs are a useful tool to identify direction of travel, from both a macro and micro perspective. For example, climate change is increasingly recognised as one of the biggest threats to the global economy and is very clearly targeted in SDG 13. Climate-action failure and extreme weather now top the World Economic Forum's list of global risks in terms of both impact and likelihood.⁵ Governments will find it increasingly difficult to ignore the effects of climate change, and many are starting to take policy action to mitigate these risks. According to the UN, in 2020, net-zero or carbon-neutrality commitments now cover 50% of the world's GDP and half of global carbon emissions.⁶

The mechanisms that governments use to achieve these targets will impact companies. Examples can include banning coal and internal combustion engines (ICEs), carbon pricing schemes, increasing bioenergy crops and facilitating the flow of low-cost capital to environmentally friendly projects. These mechanisms present a clear risk to companies that rely on coal and ICEs for revenue or have high carbon operations. They also bring opportunities for companies that produce bioenergy crops or need easier access to capital for green projects – as well as companies that can provide alternatives to coal and ICEs, for example through renewables and electric vehicles.

The issues raised by the SDGs are, unfortunately, not new. They are long-standing, complex, challenging global problems. However, the way in which the SDGs were designed and articulated highlights the links between environmental and social issues, and the ways in which these issues affect all of us. By emphasising these connections, the SDGs appeal to a wide range of global audiences and act as a rallying cry across industries, regions and levels of society.

¹ For more detailed information on the SDGs, please visit <https://sdgs.un.org/goals>.

² United Nations (2020), The Sustainable Development Agenda [Online]. Available at <https://www.un.org/sustainabledevelopment/development-agenda/> (Accessed 31 April 2021).

³ United Nations (2019), Citing \$2.5 Trillion Annual Financing Gap during SDG Business Forum Event, Deputy Secretary-General Says Poverty Falling Too Slowly [Online]. Available at <https://www.un.org/press/en/2019/dsgsm1340.doc.htm> (Accessed 31 April 2021).

⁴ United Nations (2020), The Sustainable Development Agenda [Online]. Available at <https://www.un.org/sustainabledevelopment/development-agenda/> (Accessed 31 April 2021).

⁵ World Economic Forum (2020) The Global Risks Report 2020 [Online]. Available at <https://www.weforum.org/reports/the-global-risks-report-2020> (Accessed 31 April 2021).

⁶ United Nations (2020) Climate Action [Online]. Available at <https://www.un.org/climatechange> (Accessed 31 April 2021).

The Sustainable Development Goals (SDGs)

Our approach to the SDGs

abrdn supports the SDGs. We have been assessing ESG risks and opportunities for over 20 years, and we use the SDGs as an additional perspective in our ongoing ESG integration efforts. We recognise the valuable insights that the SDGs can bring to our investment analysis and decision-making.

Within our central ESG Investment Function, our research efforts and resources are organised around key ESG themes. Each of these themes aligns to the SDGs, as illustrated in the image below.

So, even if we do not explicitly reference the SDGs in our work, this alignment means that there are strong links between our ESG research and the SDGs. For example, we have made significant progress in articulating and

implementing our **approach to climate change** over the last few years. In developing this approach, we are conscious of how it aligns with the aims of the SDGs.

We recognised the value of the SDGs to investors early on. Shortly after the SDGs launched, we developed an assessment framework that translates the policy aims of the SDGs into a corporate context. In doing so, we identified specific actions that companies can take to contribute to global efforts to achieve the SDGs. Combined with the expertise and extensive research coverage of our investment professionals, this framework allows us to identify investment opportunities that not only provide positive financial returns but also make a positive contribution to the SDGs

| | UN Global Compact Environment | | | UN Global Compact Labour | UN Global Compact Human Rights | UN Global Compact Anti-corruption |
|-------------------------------|--|--|---|---|---|---|
| Themes | Environmental responsibility | | Climate change | Employment & labour practices | Human rights & community | Business ethics & governance |
| Sustainable Development Goals | | | | | | |
| Topics | Water, waste, plastics, circular economy, biodiversity, deforestation, toxic emissions, pollution. | | Clean energy, carbon footprinting, decarbonisation, transition, economy, energy efficiency. | Working conditions, health & safety, equal opportunities, staff retention, training & development, labour relations, talent retention, collective bargaining. | Modern slavery, child labour, supply chain issues, inequality, lack of access to resources, land rights, food & nutrition, data privacy, community relations. | Anti-bribery & corruption, audit issues, board balance, board diversity, remuneration, business ethics, director independence, shareholder rights, accountability, cyber security, tax. |
| Sector Research | ESG investment research is aligned with our investment process. As with our investment managers, ESG investment analysts have sectoral responsibility for the sectors where the ESG risks are closest to their area of thematic expertise. | | | | | |

The Sustainable Development Goals (SDGs)

This SDG framework entails a significant amount of in-depth research and expertise across the wide range of issues that the SDGs aims to address. It plays an essential role in our impact and sustainable-development strategies. In these strategies, we allocate capital based on the extent to which investee companies demonstrate and execute a clear business strategy that makes a positive contribution to global efforts to achieve the SDGs. Thanks to our in-depth work in this area, we are well positioned to help clients align their portfolios to their SDG goals through their investments.

Across our mainstream investment funds, we also bring the SDGs into our ongoing ESG integration efforts. We continually review our approach to ensure that our ESG insights are meaningful and relevant for investment decision-making, and reflect the expectations and demands of our clients.

For more information on our ESG integration approach, please refer to the asset-class documents on our website at abrdrn.com.

| SUSTAINABLE DEVELOPMENT GOALS | Pillars | Sub-themes |
|---|--|---|
|   | Circular Economy | Resource efficiency Material recovery and reuse |
|   | Sustainable Energy | Access to energy Clean energy Energy efficiency |
|     | Food & Agriculture | Access to nutrition Food quality Sustainable agriculture |
|    | Water & Sanitation | Access to water & hygiene Clean water Water efficiency |
|    | Health & Social Care | Access to healthcare & social care Enhanced healthcare Drug development |
|    | Financial Inclusion | Access to financial services |
|    | Sustainable Real Estate & Infrastructure | Affordable housing Eco-construction Improved access |
|     | Education & Employment | Access to education and skills development Quality employment and job creation |

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