Our work with the Sustainable Development Goals
The Sustainable Development Goals (SDGs) are a road map for a sustainable future and will be a fundamental driver for economic growth. To investors and asset managers, the SDGs represent investment opportunities and a framework for assessing sustainability risks. Through their investments and engagement with companies on sustainability issues and by requesting reporting on the SDGs, investors and asset managers can contribute to the achievement of the SDGs.

“Swedish Investors for Sustainable Development (SISD) explores the role of investors in the SDGs. It is a concrete example of Goal 17: Partnerships for the goals. Competitors work side by side with a development agency on both pressing issues and investment opportunities.”

SISD is a partnership comprising of 18 institutional investors, pension funds, asset managers, insurance companies, investment companies and the Swedish International Development Cooperation Agency (Sida). Its’ mission is to explore the role of investors, sustainability risks and opportunities related to the SDGs. Formed in 2016, SISD is a platform for learning, sharing experiences, cooperating in voluntary projects and promoting engagement in corporate governance around the SDGs. SISD’s mission is also to stimulate and contribute to the international dialogue on the role of investors in the SDGs.

Sida acknowledged the important role of investors in the SDGs at an early stage, and in June 2016 gathered the largest institutional investors and investment companies in Sweden to talk about the role of, and opportunities for, investors. This resulted in the establishment of the SISD partnership, which has a steering group of CEOs and an operational network for sharing, learning and common projects.

The financial sector has a key role to play in sustainable development, as recognized in both the 2030 Agenda and the Addis Ababa Action Agenda. Not only do financial actors influence development through asset allocations, they can also influence companies and issuers of financial instruments through corporate governance, voting at company annual general meetings and by requiring reporting and disclosure, which in turn will catalyze new preferred practices and developments.

From a sustainable investment perspective, the SDGs bring corporate social responsibility and sustainability to a new level and dimension where it is not only about negative screening and staying away from what is unsustainable but also about contributing to a positive impact, in addition to financial performance.
GOAL 5 – GENDER EQUALITY

This group focuses on the potential that lies in empowering women, women’s labour market participation and women’s representation in leadership positions in invested companies.

Examples – Gender equality

The working group started in 2017 with AMF and Handelsbanken Fonder as members. Both companies are large asset owners in several Swedish companies and have since many years worked within nomination committees for increased gender equality on the boards.

The working group is exploring ways for investors to contribute and invest for increased gender equality in line with SDG 5, in overall asset management of global equities.

During 2018 the focus has been on increasing awareness, through dialogues with other investors, data providers and stakeholders, on how investors can contribute and impact companies to measure, report and progress on gender equality. The group has also presented examples on how to use SDG 5 as a thematic approach in investment strategies.

GOAL 6 – CLEAN WATER AND SANITATION

This working group explores the investors perspective of opportunities and risks in the sectors of water and sanitation.

Examples – Clean water and sanitation

Church of Sweden, AP7, AP3, East Capital and SPP work together as investors with SDG 6 with contribution from Sida. Initially Skandia was also a member but is now active in another working group. The group has focused its efforts on exploring two tracks; blue engagement and blue investments.

The engagement track was initiated by a report that AP7 had conducted together with GES (now Sustainalytics) on water stress in the mining, food & beverages and garments sectors. Apart from the knowledge shared, the findings from the report served as basis for the group’s recommendation on key performance indicators on water use to the Global Reporting Initiative.

The investment track was initially halted as it proved to be more difficult than anticipated to find suitable "blue" projects or instruments to invest in. To highlight this challenge a preliminary study on the situation in Sweden was conducted focusing on 1) Why are there not more projects to finance within sustainable water and sanitation in Sweden? and 2) Is there anything that can be done to increase the number of such investments? A report of the study was released in a public seminar hosted in the Swedish parliament in 2017. However the conclusions are not unique to Sweden. During 2018, the group has primarily focused on spreading knowledge about their interest in the theme as investors and on highlighting the challenges for investments both locally and globally. Among the activities carried out is a knowledge-sharing seminar together with representatives from the sister network, Swedish Leadership for Sustainable Development, on how investors view and analyze water risks. The group also co-hosted a workshop during the World Water Week in Stockholm together with SIWI, OECD, Sida and the EU Africa Water Partnership Program. The theme of the workshop was “Water Infrastructure Finance Constraints: Shared lessons from Africa and Europe” and it focused on finding measures to unlock barriers to providing sustainable financing solutions for water infrastructure globally.
GOAL 8 – ECONOMIC GROWTH AND DECENT WORK

This group has worked on the investors responsibilities and opportunities around decent work and the private sector’s role in economic growth.

Examples – Economic growth and decent work

The original composition of the group – Alecta, Folksam and Investor with contribution from Sida – represented three different owner profiles and investment strategies, but with the joint belief that companies can evidence sustainable and long-term growth in the society while ensuring decent jobs being created. The first phase of the work focused on identifying relevant indicators for decent work and economic growth in companies’ reporting with the aim to find an approach that not only measures past performance but detects future capacity for sustainable growth in line with the SDG 8. The result was shared within SISD and contributed to the work of GRI and UN Global Compact to develop a reporting framework for the SDGs.

Since 2018, the group has been reinforced with the participation of AP7. Currently the main focus of the working group is the project that Sustainalytics (previously GES) operates on working conditions in the “green economy”, i.e. the food chain. The project is set out for three years and the focus is on preventing child labor, “modern slavery” and promote living wages related to cultivation of a number of crops where the risks of unacceptable working conditions are assessed to be the greatest. About 20 companies are involved in the project with the aim of finding lasting solutions and tools of influence for investors to use in ownership dialogues and when investing. The working group is aiming at extracting results on an ongoing basis, and above all, compiling a collection of examples of initiatives taken within the food industry – initiatives that give lasting results in reduction and prevention of harmful child labor and “modern slavery” and improved living wages. The purpose of the examples will be to showcase best practices and to provide analysts and managers and their organizations with reference frameworks for dialogue with companies where risks of “indecent work” are identified.

GOAL 11 – SUSTAINABLE CITIES

This group explores investment opportunities in connection to sustainable cities. The group also studies good governance when it comes to investing in green buildings and sustainable cities.

Examples – Sustainable Cities

The members of the group working on SDG 11 are Handelsbanken Fonder, SEB Life and Investment Management, Skandia, East Capital and Church of Sweden with contribution from Sida. From the start, the group’s strategy has been twofold; to invest and to engage. The group early on wanted to find investment opportunities and discover both Swedish and international alternatives.

During 2018 the group has collaborated to develop an investment opportunity to promote SDG 11 on Sustainable cities and communities. The group explored various solutions together with the World Bank to find an investment instrument that would provide a suitable structure for investors to invest in line with the SDGs. In October 2018, as a result of the collaboration and efforts from the group, the World Bank through International Bank for Reconstruction and Development (IBRD) launched a SEK 2.5 billion five-year bond to support the financing of sustainable development activities around the world. The investors were Skandia, SEB Life & Investment Management, Handelsbanken Fonder, and Church of Sweden. The group is pleased that it was able to create an investment opportunity and hope to inspire other investors.

For the engagement track the group decided to develop a list with some criteria they find important for new investment products to meet, such as track record, team experience, volume, lock-in period of capital, etc. The group aims to share this with relevant fund managers and intermediaries.
GOAL 16 – PEACE, JUSTICE AND STRONG INSTITUTIONS WITH A FOCUS ON ANTI-CORRUPTION

This group addresses anti-corruption from an investor perspective and how investors can stimulate better company performance.

Examples – Peace, justice and strong institutions with focus on anti-corruption

The participants in the group are Industrivärden, SEB Life and Investment Management and Swedfund International.

During 2018 the group created a questions-based framework for an exhaustive and high-quality analysis of a company’s value-creating work with anti-corruption. The framework has been given a generic and flexible design to allow it to be used in various types of asset management operations, from pure-play portfolio managers with large numbers of holdings to active owners with a limited number of portfolio companies. Moreover, the ambition has been to – with the support of the framework – enable a more general as well as a more in-depth analysis.

The framework for assessing a company’s value-creating work with anti-corruption is designed to be able to be used at three levels. The first level allows an overarching “sanity check” that provides an indication of whether the company has fundamental elements in place. The second analysis level enables an assessment of material areas in anti-corruption for the purpose of gaining an own impression of how qualitative and effective a company’s work with anti-corruption is. The third level enables monitoring/follow-up and can involve gathering basic data about the company (portfolio companies), following up progress of anti-corruption either as a whole or through specific activities that the company conducts in order to improve its anti-corruption work and performing comparative analyses of several companies. The framework covers a large number of issues that are grouped under the following main headings: 1. Policy, implementation and execution, 2. Control and sanction systems, 3. Communication, reporting and collaboration, and 4. Top management commitment.

INVESTMENT OPPORTUNITIES AND OBSTACLES FOR INVESTING IN SUSTAINABLE DEVELOPMENT

This group, consisting of Alecta, AP3, East Capital, Swedfund International and Church of Sweden, look into opportunities and constraints of investing in line with the SDGs. SISD is also, through Sida, part of UN Global Compacts Platform for Financial Innovation. The initiative is based on a desire to understand the existing obstacles to move form “billions to trillions”. During the year the group has made a survey among the SISD members, giving different indicators of challenges associated with “SDG investments” including risk-adjusted return and lack of history of performance, size of investments, resource-consuming processes and fees. The next step is to complete a memo with observations from the survey, highlight good examples of completed investments and its motives and determine how the results should be used. The group discusses a number of ideas going ahead, including links to the framework for a corporate SDG-bond completed by UN Global Compact’s Platform for Financial Innovation.
Swedish Investors for Sustainable Development has formulated a joint commitment and a goal and purpose

“As long-term and responsible investors, we hereby declare to strive to invest in accordance with some of the formulated sustainable development goals of Agenda 2030 since we are convinced that this is positive for our beneficiaries. We will focus on different development goals, depending on our specific mandate as individual organizations. The goals are also interlinked, climate change, for example, relates to all goals in Agenda 2030, directly or indirectly. We will work with the goals based on our existing and future investments.”

Goal and purpose

• Learning, where Sida and the participants identify interesting lecturers and inspirers. Participants from organizations that focus on the areas of the Agenda are also invited, or others working with the Agenda 2030.
• Working groups to concentrate energy to some of the goals that investors indicate are of special concern and interest: 5, 6, 8, 11 and 16 with focus on anti-corruption and investment opportunities and obstacles for investing in sustainable development.
• Identification of indicators related primarily to the above-mentioned goals.
• Discussions on the relevance, feasibility and challenges of the SDGs for investors. Taking a role in the Global Reporting Initiative’s (GRIs) and UN Global Compact’s working group for private sector.
• Communication with the objective to stimulate investments supporting the goals and to inspire other actors.
• Exploration of investment opportunities in line with Agenda 2030.
• Forum for discussion of preconditions for working with Agenda 2030.

Some milestones for Swedish Investors for Sustainable Development

• International Investors’ conference together with Global Reporting Initiative GRI, UN Principles for Responsible Investments UNPRI and UN Global Compact UNGC in Stockholm in May 2017 and in May 2018.
• Initiation of Stockholm declaration, a document signed by 29 actors and with total assets under management of USD 1 trillion.
• Commitment on goal 14 with a linkage to goal 6 ahead of the UN Oceans’ conference in June 2017.
• Actors are starting to invest in line with the SDGs, for example with World Bank and International Development Association. Some funds targeted to the SDGs have been launched.
• Investment in World Bank bonds promoting SDG 11 by SEB Life and Investment Management, Skandia, Church of Sweden and Handelsbanken Fonder.