

Executive Summary:

**Discovering Business Value in the
United Nations Sustainable Development Goals (SDGs)**

**Insights from the Inaugural Application of the Trucost SDG
Evaluation Tool**



Credits

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About Trucost

Trucost is part of S&P Global. A leader in carbon and environmental data and risk analysis, Trucost assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance (ESG) factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience, and identify transformative solutions for a more sustainable global economy. S&P Global's commitment to environmental analysis and product innovation enables its team to deliver essential ESG investment-related information to the global marketplace. For more information, visit www.trucost.com.

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Acknowledgements

We are pleased to acknowledge the participation of company practitioners and advisors in the inaugural application of the Trucost SDG Evaluation Tool. We are grateful for their support in developing a holistic SDG analytical framework to support companies in aligning business activities with the SDGs in such a pioneering and collaborative way.

Company practitioners: Aguas Andinas, AMD, Arm, CLP Holdings, HP Inc., Iberdrola, Ingersoll Rand, Ørsted, ROCKWOOL Group, S&P Global, Spectrum Brands Holdings, Inc., Tarkett, and Walgreens Boots Alliance.

Advisory panel: American Chemistry Council, APG, Calvert Research and Management, Impax Asset Management LLC/Pax World Funds, London School of Economics, Nordic Investment Bank, PGGM, S&P Dow Jones Indices, UN Global Compact, and World Business Council for Sustainable Development.

Foreword

193 countries, 9000 companies, and investors with more than \$4 trillion¹ in assets have pledged their support to the United Nations Sustainable Development Goals (SDGs). But while the SDGs garner widespread backing for their effective harmonization of the three dimensions of sustainable development – social inclusion, environmental protection, and economic growth – a challenge prevails in transitioning to transformative action on SDG-aligned business strategies and capital allocation.

When the United Nations released its annual report last June, it was delivered with a strong call to action from Secretary-General António Guterres who said, *“With just 12 years left to the 2030 deadline, we must inject a sense of urgency”*.²

Earlier this year, we embarked on a journey with multiple companies, supported by an advisory panel of investment professionals, interest group representatives, and academics to develop a holistic set of SDG metrics that would provide market participants with the data transparency needed to accelerate progress on SDGs. A set of metrics encompassing the entire corporate value chain, from raw material inputs to product use and disposal, within the context of a company’s geographic operations.

The result? Among our inaugural cohort of company program participants, we uncovered almost \$233 billion SDG-aligned business revenues – equivalent to 87% of total revenues generated by the companies. And, underpinning our findings was a tool for market participants to identify SDG-aligned business value, prioritize risks and opportunities, and inform sustainable growth strategies.

We are grateful for the support of our program participants in contributing their time and expertise, and look forward to the opportunity to continue to develop our insights with market engagement and collaboration.

Our mission: Providing essential intelligence to power the markets of the future.

Martina Cheung

Executive Managing Director for Risk Services at S&P Global Market Intelligence, and oversees ESG products and services for S&P Global.

¹ All numbers in the report are in US dollars, unless otherwise stated.

² United Nations, 2018b, *The Sustainable Development Goals Report 2018*, <https://unstats.un.org/sdgs/files/report/2018/TheSustainableDevelopmentGoalsReport2018.pdf>.

Executive Summary

Context

- The SDGs offer a blueprint for a more sustainable world, launched by the UN and agreed to by 193 countries in 2015.
- Interest in the SDGs is rising in the business and investor communities, with one in four of the world's largest companies referencing the SDGs in reporting, and major investors with \$4 trillion in assets making commitments to the SDGs.³
- Businesses face challenges in prioritizing action on the SDGs and, to date, have most commonly focused reporting on their positive contributions, rather than their holistic impact. Investors seek consistent frameworks and quality data on company SDG performance to inform SDG investment strategies.

The SDG Evaluation Project

- In March 2018, Trucost launched a collaborative initiative to develop and demonstrate a new approach to understanding and benchmarking company performance on the SDGs, considering both risks and opportunities arising from a company's positive and negative impacts.
- The project was launched in partnership with 13 leading companies, with market capitalization of \$324 billion and global revenues of over \$266 billion, and a panel of distinguished advisors from the investor, NGO, and academic communities.
- The Trucost SDG Evaluation Tool assesses company performance on the SDGs by building a map of SDG exposure across the value chain, based on a company's geographic footprint and key markets. It then evaluates company efforts to manage and mitigate their exposure to each SDG, and assesses the positive impacts created by a company through its products and services, charitable activities, contributions to economic growth and employment, and commitments to transform business models in line with the SDGs. The output of this analysis is an overall SDG Evaluation score for use in benchmarking against peers and tracking performance over time, plus a series of visualizations to aid businesses in targeting and enhancing their SDG strategy.
- The SDG Evaluation methodology was applied to 34 companies based in the Americas, Europe, and Asia (13 company participants and 21 selected peers), and spanning the technology, financial services, utilities, and manufacturing sectors.

³ S&P Global, 2017, *Moving Forward With SDGs: Metrics for Action*, <https://www.trucost.com/publication/moving-forward-with-sdgs-metrics-for-action/>.

Results

- SDG Evaluation scores across the inaugural cohort ranged from 50 to 85 out of 100,⁴ with an average score of 67 out of 100. The results show no bias for or against any particular sector, with representatives of each sector featured at the top and bottom of the score range.
- The inaugural cohort was most active in managing SDG risks associated with Responsible Consumption and Production – waste and resource efficiency (SDG 12), Gender Equality (SDG 5), and Peace, Justice, and Strong Institutions – corruption and governance (SDG 16)). The group was least active on issues linked to Life Below Water – ocean health (SDG 14), and tackling Zero Hunger – hunger and malnutrition (SDG 2). The group was most active in managing SDG risks in their direct operations, but with some activity targeting direct suppliers on issues such as Decent Work and Economic Growth – worker conditions (SDG 8), Peace, Justice, and Strong Institutions – corruption and bribery (SDG 16), and Climate Action – climate change (SDG 13).
- Analysis of the inaugural cohort revealed that over 79% of company revenues were derived from products and services that contribute to the SDGs, and companies created positive contributions across all 17 SDGs, but most significantly in relation to Affordable and Clean Energy (SDG 7), Decent Work and Economic Growth (SDG 8), and Climate Action (SDG 13).

Conclusions

- **Balance Risk and Positive Impact.** When evaluating company performance on the SDGs, it is important to consider the positive contributions they make to the SDGs, but also their actual or potential negative impacts, and the effectiveness with which these impacts are managed.
- **Focus on Important SDG Needs in a Company's Own Operating Context.** Leading companies are already taking significant action to address many of the issues underlying the SDGs, but performance varies greatly with some issues being addressed robustly, while action is limited on others. Understanding exposure to SDG issues across the sectors and countries in which a company operates can aid in prioritising action and the deployment of scarce resources to target those SDGs most closely tied to a company's business model and operations.
- **Align Business Models with the SDGs and Expand Access.** Aligning business models with the SDGs by focusing on the delivery of products, services, and technologies that address specific SDG needs is critical. In addition, the impact of such efforts can be maximised by pursuing new markets that expand access to SDG-aligned products and services in those countries that need them the most.

⁴ SDG Evaluation scores range from 0 (worst performance) to 100 (best performance) and represent the overall alignment of the company with the SDGs, taking account of both positive SDG contributions and SDG risks.

- **Take a Value-Chain Approach.** Effective management of ESG risks in company operations is critical, but will not necessarily safeguard the company against hidden SDG risks in the supply chain, and ultimate product use or disposal. Modelling techniques can offer an effective means to screen value chains for SDG risks that may not be immediately visible.
- **SDG Business Opportunities Abound.** Analysis of the 13 inaugural company participants reveals that they are already capturing over \$232.98 billion in revenue from SDG-aligned products, services, and technologies, highlighting the opportunities to grow by serving the needs of the SDGs.
- **SDGs Can Guide Better ESG Disclosure.** The SDGs can encourage companies to consider SDG-related issues that are not commonly monitored and reported in the corporate community, but are still important to the achievement of the SDGs. For example, engaging beyond the sustainability department to target issues of tax transparency and corporate governance that are critical to Peace, Justice and Strong Institutions (SDG 16), and Partnerships for the Goals (SDG 17).
- **Data and Modelling as a Tool for Action.** Data and modelling can be an effective and efficient means to better understand SDG risks and opportunities where direct engagement with suppliers and customers is challenging. The results must be placed within the company context, however, and be considered with reference to the corporate strategy and financial materiality.

“On September 26, 2018, during the celebration of the Climate Week in New York, 15 ground-breaking projects from around the world were announced as winners of the United Nations ‘Momentum for Change’ climate action award. Aguas Andinas, won because of transforming Santiago’s three wastewater treatment plants into “biofactories” that convert wastewater and sewer sludge, a wastewater treatment byproduct, into clean energy.

This award helps us validate many of our current efforts to go beyond water, generating social and environmental value and strengthens our commitment to be the best allies of Chile for the achievement of the goals of the 2030 Agenda for Sustainable Development.

In this context, the evaluation of Trucost SDG is a very important tool for us, because it provides us with quantitative information based on data on where we can expand our plans for a greater future contribution in the achievement of the Goals.”

– Aguas Andinas

“By applying the SDGs as a common framework for evaluating business impact and value, we can advance our Sustainable Impact strategy in a way that connects our business strategy and core values, while supporting a global agenda for the future of humanity and the planet.”

– HP Inc.

“Companies like Iberdrola are agents of development, essential in any discussion that arises about the economic, social, and environmental future of humanity. That is why business involvement is necessary to achieve the global transformation towards a sustainable scenario. Reasons for this include:

- 1. The involvement of companies plays an essential role due to the need for large-scale changes. The business sector is able to scale solutions globally, and can develop joint solutions with different actors to have the necessary impact.*
- 2. The commitment of companies such as Iberdrola, with the introduction of more sustainable models in their value chains, will be an essential determinant of the achievement of the SDGs related to production and consumption.*
- 3. Innovation will be key to respond to the complex challenges posed by the Agenda. Iberdrola is the most innovative Spanish utility, the second in Europe, and the fourth in the world in terms of resources allocated to R&D.”*

–Iberdrola

"We are currently developing our next generation of sustainability targets, to take us to 2030. In addition to aligning with the science and assessing which topics are most material to Ingersoll Rand, we are using the SDGs as a framework to help us align with global social and environmental priorities."

–Ingersoll Rand

"We are proud to be recognized by Trucost for our proactive approach to the SDGs by achieving the highest SDG impact score amongst all pilot companies, with 100% of our products classified as SDG Positive."

ROCKWOOL is committed to increasing its positive sustainability impacts and minimizing its negative impacts, thereby maximizing its overall impact on the SDGs over time.

We strongly believe that companies should focus on product impacts in relation to the SDGs. This is where we can make a big difference. For example, over their lifetime, our technical insulation products save thousands of times more energy and CO2 than is consumed or emitted from their raw material extraction, transport, and production."

–ROCKWOOL Group

"We are proud to see our results reflect the strength of S&P Global's contributions to meaningful employment and economic opportunity around the world. Through our products, community development programs, philanthropic giving, and commitment to sustainability, we strongly align with the SDGs and make a positive impact."

–Courtney Geduldig, Executive Vice President, Public Affairs, S&P Global

"At Tarkett, we are 'Doing Good. Together.', connecting our sustainability efforts with what our customers value and our world needs. As part of our business model and our global strategy, we are positively contributing to different SDGs and aiming at delivering meaningful improvements in these areas. The Trucost study allows us to better understand where we stand now, how our efforts are impacting the SDG's, how we can increase our positive impact across the globe, and where our risks are situated."

–Raphaël Bauer, Chief Financial Officer, Tarkett Group

"At AMD, we develop greater technology for the greater good, creating high performance semiconductor solutions that are designed to help solve some of the world's toughest challenges. This is our driving motivation – to enable the world's creators, researchers, inventors and explorers to transform the lives of those around them through immersive and instinctive computing."

–AMD

“The SDG Evaluation methodology’s Positive Impact assessment achieves a significant step forward in evaluating opportunity through sustainability as a critical compliment to traditional risk mitigation and assessment. Insights from the assessment could be invaluable for industry leaders in sustainability to identify a more comprehensive range of value potential, and for investors seeking to more adequately differentiate those leaders.”

–Bryan Kuppe, Director, Sustainability, American Chemistry Council

“The SDGs are goals for the world. It’s important that we progress ways of measuring companies’ contribution to – or subtraction from – achieving these goals. With robust measures in place, we can start designing tools which will aid the development of financial products focused on flowing investment towards these goals.”

–Hannah Skeates, Senior Director for ESG Indices, S&P Dow Jones Indices

“Companies that measure their impact on society can reap medium- and long-term benefits by strengthening their accountability, generating trust from their stakeholders, and contributing to improve the enabling environment in which they operate. In line with the UN Global Compact’s principle-based approach, the Trucost SDG Evaluation Tool framework can help investors evaluate companies’ performances on both their positive and negative impacts on the SDGs, thus helping drive investments in the right direction to make a significant contribution to the advancement of the 2030 Agenda.”

–Laura Palmeiro, Senior Advisor, UN Global Compact

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