

SDG Portfolio Analysis

Introduction

Inrate's SDG Portfolio Analysis 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 300 standardized revenue categories. For every category, positive or negative contributions are assigned for all SDGs. If a category contributes neither positively nor negatively, it is considered neutral.

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 impacts of a portfolio towards all 17 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

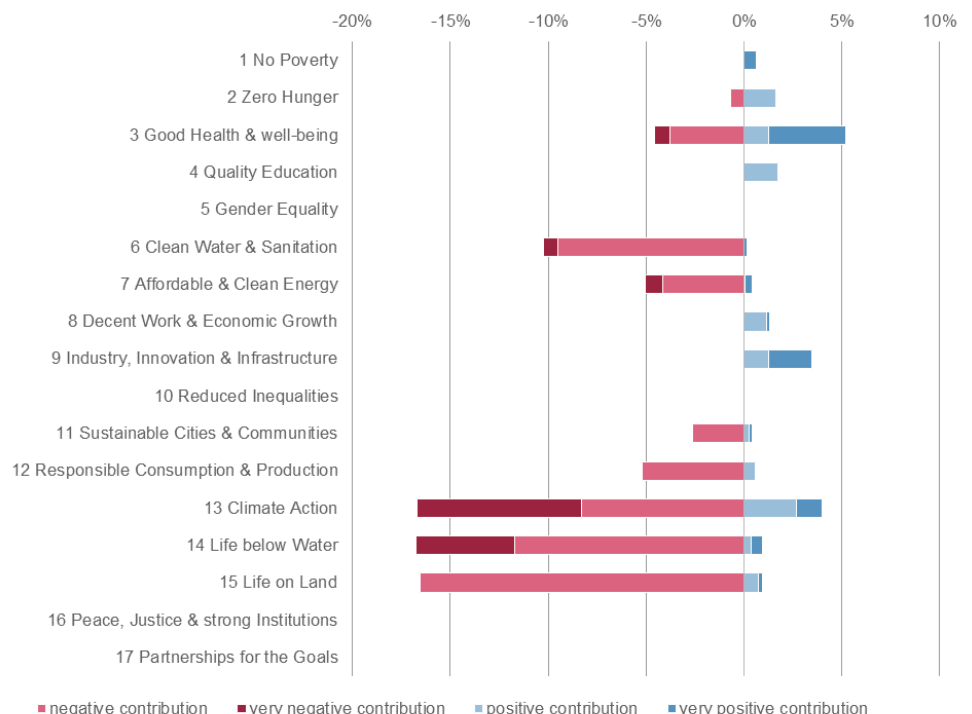
The goals and targets of the SDGs have been developed through a broad process including representatives from governments, private sector and civil society. While the formulation of the goals is targeted towards countries, action from the private sector and the financing thereof is crucial to achieving 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. While a company may also contribute through their CSR activities to the SDGs, Inrate's SDG Portfolio Analysis focuses on the contribution of products and services of portfolio holdings.

Example for a global equity portfolio

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

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



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 a leading independent sustainability ratings provider based in Switzerland. Since 1990, we link our in-depth sustainability analysis with innovative investment solutions for the financial markets. Our ratings are a measure of the impact companies have with their behavior and products on society and the environment as well as their willingness and ability to effectively tackle the corresponding challenges.

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