THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)
A BENCHMARK UNDER CONSTRUCTION
FOR EVALUATING THE IMPACT OF SUSTAINABLE FINANCE

Paris, le 6 September 2018. After a trend towards the carbon footprint of investment portfolios, which has grown massively since 2015, a new phenomenon is emerging: the use of the Sustainable Development Goals (SDGs) as a reporting reference for responsible investors. In response to this pressing trend, so-called extra-financial rating agencies are developing SDG offers, which have been summarized in a recent overview published by Novethic. The publication "SDGs: A New Focus for Non-Financial Rating Agencies", provides a table comparing SDG offers from the six principle non-financial rating agencies.

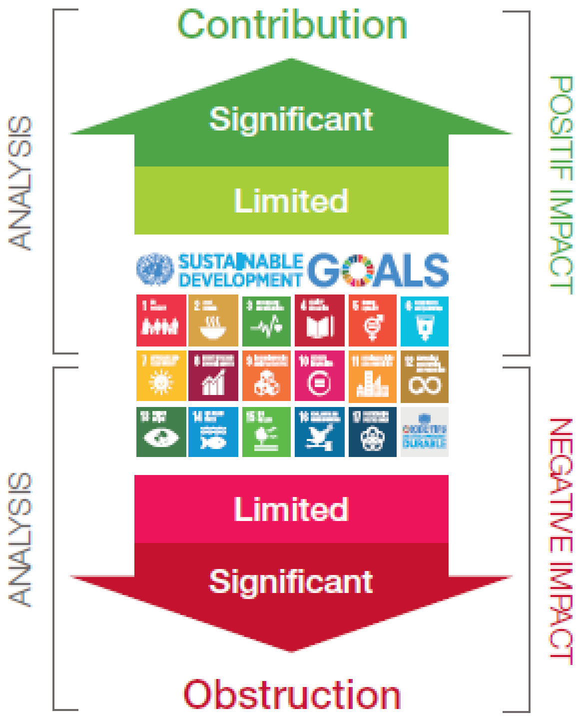
"This overview attests to the rapid development of analysis and complex ratings to implement. The 17 SDGs are broad and cover 169 targets, that each rating agency applies in its own way. It is therefore becoming increasingly difficult to compare SDG ratings, which complicates tasks for investors."

Anne-Catherine Husson-Traore, CEO of Novethic

A complex benchmark. Adopted by the United Nations in 2015, the SDGs cover 17 key areas of action, such as the eradication of poverty and hunger, well-being for all, and protection of the environment. These goals must be reached by 2030 through the use of 169 targets.

Rating agencies strive to evaluate the share of companies that contribute positively to one or more of the SDGs. Only two such rating agencies have begun to measure how these activities may also serve as a deterrent to fulfilling these goals.

To establish an SDG rating, agencies must adapt their Environmental, Social and Governance (ESG) company assessment based on the retrospective data provided to them. However, the SDGs established a 2030 trajectory, and companies do not tend to publish future-oriented reports targeting them.



Source: ISS-oekom, adaptation Novethic

Heterogeneous methodologies. To develop its rating, each agency chooses the SDGs that seem most relevant and defines an ad hoc benchmark; all by breaking down financial turnover based on activity and level of contribution, whether or not they are favourable to the fulfilment of the SDGs. This is why it seems premature for investors to measure the impact of their responsible investment approach using the SDGs, while companies have yet to adopt them appropriately.

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