

A BLUEPRINT FOR A BETTER FUTURE – ENGAGEMENT ON THE UN SDGS



September 2019

The UN's Sustainable Development Goals address global challenges such as poverty, inequality, climate change, environmental degradation, prosperity and peace. What can companies do to advance these policy goals, to help build a sustainable future?

Setting the scene

The UN's 2030 Agenda for Sustainable Development sets out 17 goals and 169 underlying targets, providing a blueprint for shared prosperity in a sustainable world — one where everyone can live productive and peaceful lives. The goals call for action by all countries to promote prosperity while protecting the natural environment, and have been adopted by all UN member states.

In late September, heads of state and government will gather at the UN's headquarters in New York to review the progress towards implementing the 2030 Agenda for Sustainable Development. The event is the first UN summit on the Sustainable Development Goals (SDGs) since the adoption of the 2030 Agenda in September 2015. In some countries SDGs are widely recognised and adopted with Japan among those setting the pace, but in other states progress has been slow. Accordingly, it is a good time to take stock of our own efforts to engage on the SDGs, to reflect on our approach and achievements to date, and set out a roadmap for 2030.



Why it matters

Why do we engage on the SDGs, when these are policy goals and not always directly applicable to companies? Our view is that the long-term success of business is inextricably linked to that of the goals. This is because the SDGs can create an economy and society in which businesses can best thrive. According to the Business Commission¹, achieving the SDGs could create 380 million jobs and help unlock at least US\$12tn in business opportunities by 2030. On the flip side, businesses need to seize market opportunities to help progress the goals rather than find themselves left behind.

Achieving the SDGs could deliver:

380M
jobs

\$12TN
in business opportunities

¹ <http://report.businesscommission.org/report>

How we engage on the SDGs

Our stewardship work has always focused on improving the sustainability of companies in order to boost long-term wealth creation and achieve positive outcomes for society. So in a sense, all of our engagement work is aligned to delivery of the SDGs. In particular, SDG target 12.6, which is to “encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”, underpins much of our engagement work with companies.

When we engage on an SDG we are often seeking positive outcomes through which companies can contribute to solving problems such as inequality, poor health and climate change. There is no universally accepted standard or benchmark for reporting on the SDGs, therefore, we have developed our own approach in alignment with our engagement strategy.

Of our engagements linking to an SDG:

21%

link to SDG 13, climate action

19%

link to SDG 12, responsible consumption and production

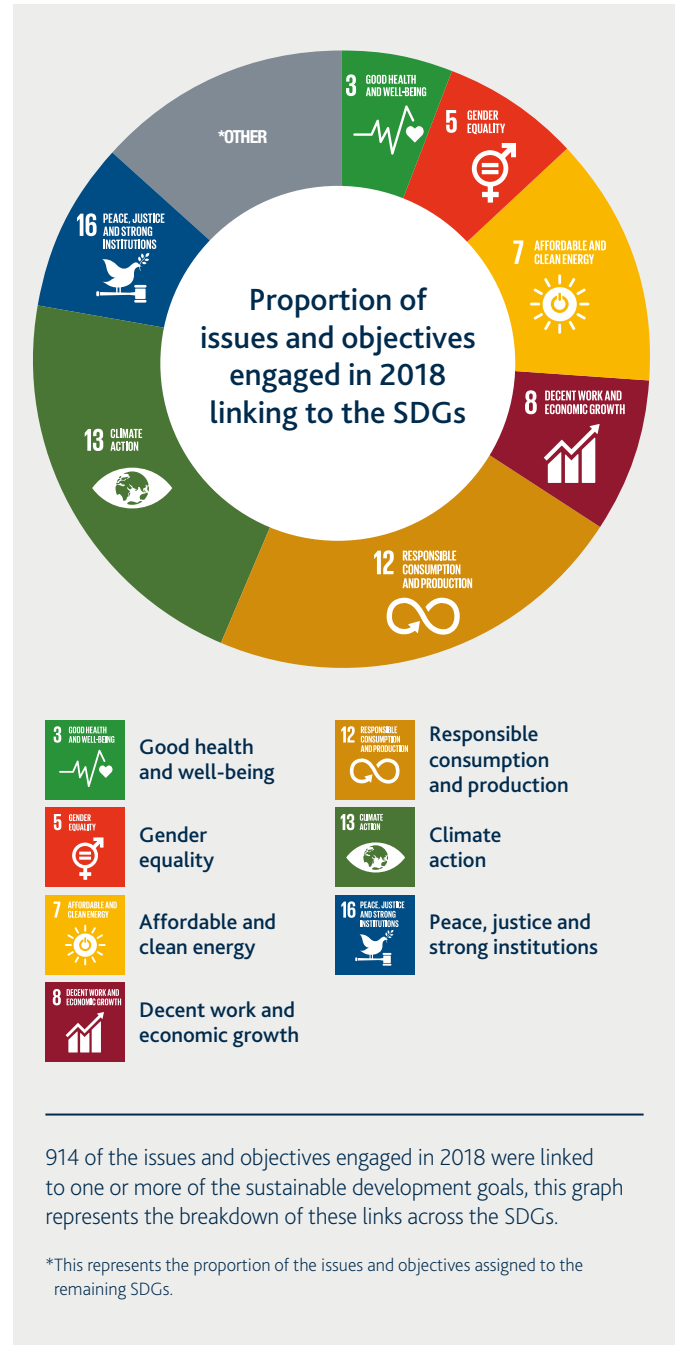
We attribute a direct link between one of our engagement themes and an SDG if our engagement objectives directly support at least one of the UN’s targets underpinning the relevant goal. For example, the UN states that the most urgent issue to address is climate change². We have already begun to see the compounding effects of global warming, which disproportionately impact the poor. Correspondingly, we have found that SDG 13 – climate action – accounted for 21% of our engagements linking to an SDG, with SDG 12 – responsible consumption and production – a close second on 19%.

We undertake the most engagement on SDG 13 as most companies rely directly or indirectly on energy and its associated emissions in their operations and supply chains. Climate change is also a high priority engagement topic for our clients, and there is a very clear and direct link to the SDG. For similar reasons, we also see a high number of engagements linked to SDG 7 – affordable and clean energy.

To encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

– SDG target 12.6

914 of the issues and objectives engaged in 2018 were linked to one or more of the SDGs



- 3 GOOD HEALTH AND WELL-BEING: Good health and well-being
- 5 GENDER EQUALITY: Gender equality
- 7 AFFORDABLE AND CLEAN ENERGY: Affordable and clean energy
- 8 DECENT WORK AND ECONOMIC GROWTH: Decent work and economic growth
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION: Responsible consumption and production
- 13 CLIMATE ACTION: Climate action
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS: Peace, justice and strong institutions

914 of the issues and objectives engaged in 2018 were linked to one or more of the sustainable development goals, this graph represents the breakdown of these links across the SDGs.

*This represents the proportion of the issues and objectives assigned to the remaining SDGs.

² <https://unstats.un.org/sdgs/report/2019/The-Sustainable-Development-Goals-Report-2019.pdf>

CASE STUDY BP



SDGs 7, 12, 13 – Clean/renewable energy opportunities

As an oil and gas major, BP is a significant greenhouse gas emitter. It is therefore important to the company's long-term future and our ability to tackle climate change that BP's strategy is consistent with the goals of the 2015 Paris Agreement.

As part of the Climate Action 100+ initiative, we have been co-leading the collaborative investor engagement with BP. The company had demonstrated leadership on climate change in a number of important areas, with the evolution of the BP Energy Outlook to include a scenario consistent with the Paris goals, and a range of climate-related targets, including best-in-class management of fugitive methane emissions. However, we remained concerned that the company had not yet demonstrated that its strategy, which includes growth in oil and gas as well as pursuing low carbon businesses, is consistent with the Paris goals.

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In addition, we wanted the company to explain the consequences of this strategy for its future business model and long-term investment proposition, including its ambitions, goals and targets for the energy transition. Following a lengthy period of collaborative engagement, we helped facilitate the development of a shareholder resolution calling for the company to set out a business strategy that is consistent with the goals of the Paris Agreement on climate change. It was co-filed by 9.6% of shareholders, supported by the board and subsequently passed with the support of over 99% of shareholders. We will continue our engagement with the company, seeking to ensure that BP's strategy and reporting set a good precedent for demonstrating alignment of business models to the Paris goals.



Often an engagement on climate change will link to more than one SDG. For example, engaging with an oil and gas company to encourage it to set and pursue a strategy that is consistent with the goals of the Paris Agreement directly impacts SDGs 7, 12 and 13. However, engaging with an electronics manufacturer in order that it set an absolute CO₂ reduction target is likely to only directly impact SDG 13, although we may see indirect impacts on SDGs 7 and 12. Many more SDGs will also be indirectly impacted through climate action given the strong links to poverty and inequality.

We recognise that good corporate governance is essential to the achievement of the SDGs, as a well-governed company will be better placed to address the key environmental and social issues identified by the goals. However, we do not often attribute a direct link between corporate governance and any single SDG preferring to map our environmental and social themes to the goals instead.

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Engagements with companies on social topics tend to impact a broader range of SDGs. As every company is an employer, this provides an engine for advancing development agendas in areas such as equality, education, training, lifting people out of poverty and improving health and wellbeing. In this way companies can contribute to solving these challenges as part of their business models, rather than merely mitigating the impact of peripheral risks.

For example, an engagement with a technology company encouraging it to disclose its gender pay gap and develop a plan to rectify any inequalities would directly impact SDG 5 (gender equality) and 10 (reduced inequalities). Similarly, SDGs 1, 2 and 3 would be impacted by an engagement on access to finance, nutrition and healthcare respectively. Our engagement on bribery and corruption and ethical culture is strongly linked to SDG 16 – peace, justice and strong institutions.

In addition to our corporate engagement on the SDGs, we undertake public policy work in support of individual SDGs. For example, we have engaged with the Access to Medicine and Access to Nutrition Foundations, supporting SDGs 3 and 2 respectively. Our engagement with the Living Wage Foundation supports SDG 1 (no poverty) and SDGs 8 and 10.

Whilst we would not attribute every SDG engagement to SDG 17 (partnerships for the goals), we hope that through our engagement with companies and organisations we can help to play a meaningful role in working towards the achievement of the goals.

CASE STUDY

Dexcom



SDG 3 – Good health and well-being

Dexcom Inc is a medical device company which designs and develops continuous glucose monitoring systems for people with diabetes. It has developed a transcutaneous product that continuously measures glucose levels in subcutaneous tissue just under the skin, avoiding the need for skin pricks. Currently its latest technology is available in a limited number of markets. However, diabetes is one of the leading causes of death worldwide with about 422 million diabetics in total³.

Given the global epidemic that diabetes has become, we urged the company to start thinking about how it could address the diabetes burden in developing markets. It indicated that it had limited capacity to expand the roll out of its G6 system to certain markets because of the high demand. However, we responded that its licence to operate mandates that it addresses lesser-served countries in its long-term business strategy.

We also suggested that in the short-term it could trial pilot programmes to begin to understand those markets, or sponsor diabetes awareness programmes to develop relationships with local country organisations. We have asked the company to think about developing an access to healthcare strategy, providing input into the substance and form of this. It is currently in the process of scaling manufacturing capacity.

What are the benefits of doing this?

The SDGs provide a common purpose and language for investors and companies to work together on externally agreed objectives to some of the world's biggest challenges. They also provide a clear time frame in which change needs to take place, helping to set targets and create a greater sense of urgency.

This allows us to have more robust engagement discussions, with an opportunity to engage along the value chain from supply to distribution. It opens the door to conversations in different parts of the business and different stages of the product lifecycle, as well as potentially with suppliers or customers.

More specifically, it presents us with an opportunity to expand our discussions with companies by making linkages to social and environmental issues in a business framework. For example, when engaging with an energy company we could engage on a number of issues related to achieving the SDGs, such as expansion of renewables, energy access, resource recovery or carbon capture and storage.

Challenges to overcome

There are, however, some challenges to overcome, not least the fact that SDG reporting is still inconsistent and limited.

Some companies retrospectively map their existing programmes and operations to the SDGs, perhaps claiming many different ways in which they deliver all the SDGs while continuing to contribute to a number of harms – sometimes known as “rainbow washing”. Others take a more targeted approach, identifying future steps to take, and perhaps focusing on the achievement of only one or a few SDGs.

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Through our engagement we are encouraging companies to view the SDGs as a framework to identify areas where they can make a positive impact towards the goals through their supply chain, operations, products or services, rather than simply mapping work that is already being done.

Additionally, many companies have yet to fully embrace the business case for adopting an SDG-aligned action plan. Often there is a tension around how to reconcile government responsibility and corporate action. Investors can play a role by encouraging business leaders to embrace more sustainable and inclusive models, and we will continue to use the SDG goals as a basis for these conversations.

The implementation of the SDGs is evolving, and our stewardship activity will evolve with it. As we believe in the business and social benefits of adopting this framework, we will continue to:



Engage with companies and other stakeholders to further integrate the SDGs into corporate strategies and business planning



Improve reporting against the SDGs



Focus on positive engagement, and the market opportunities that arise as a result



Kimberley Lewis
Sector lead: Pharmaceuticals & Healthcare



Katie Frame
Sectors: Consumer & Retail, Pharmaceuticals & Healthcare, Technology

³ <https://www.who.int/news-room/fact-sheets/detail/diabetes>

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