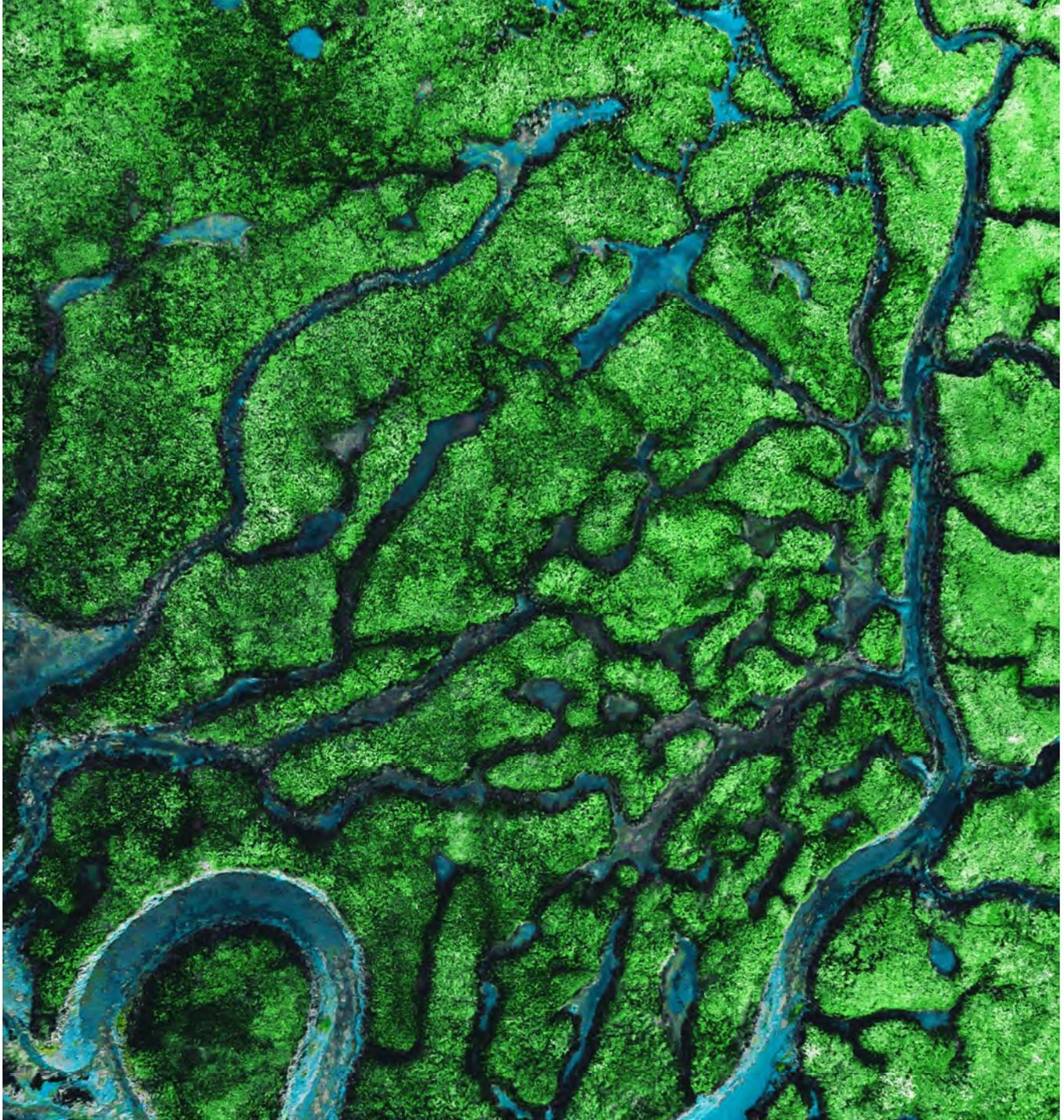


# Mapping funds to the SDGs

Methodology for analysing the links of investment funds to the United Nations' Sustainable Development Goals (SDGs)



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## What are the SDGs?

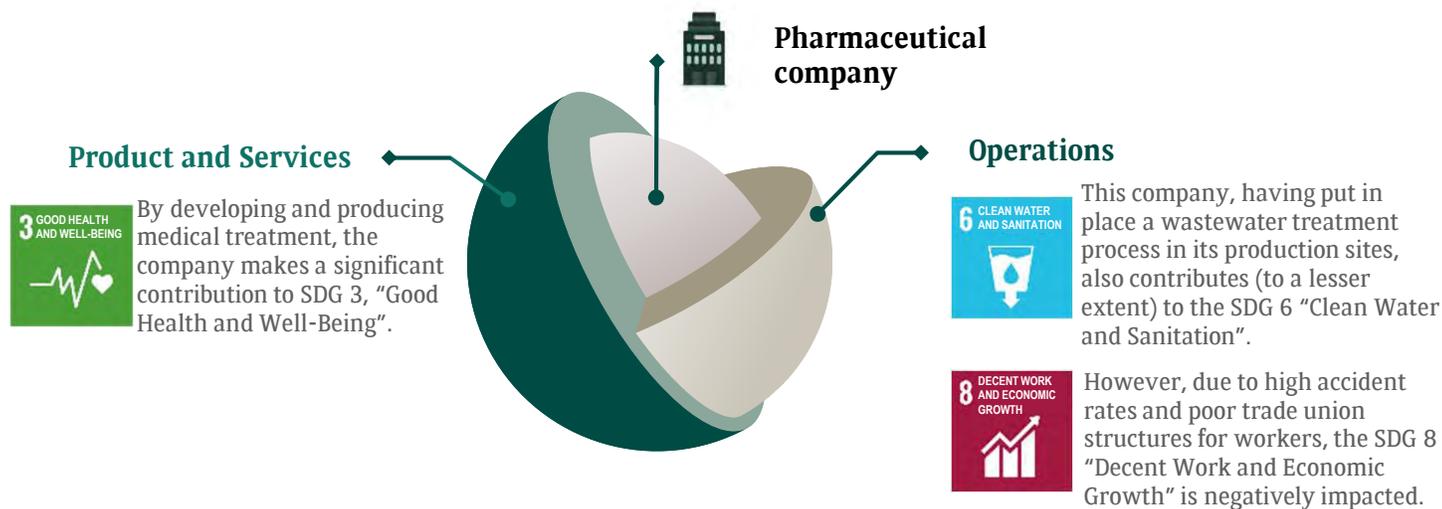
The Sustainable Development Goals (SDGs) are a set of 17 interconnected objectives, broken down into 169 targets, which UN Member States have committed to achieving by 2030. They address global challenges, such as poverty, global warming, prosperity and justice. As they are on most national and international decision-makers' agendas, the SDGs have become a common framework to measure companies' extra-financial performance.



## How can an investment fund contribute to the SDGs?

Companies can contribute to one or more SDGs through their range of **products and services**, and/or their internal **operations**. These contributions are measured and aggregated at the portfolio level. Companies can also impact negatively an SDG.

### Example of a company's contribution to the SDGs



An investor can contribute to the SDGs by choosing funds invested in companies which lead projects with a positive impact on the SDGs.

## Why does BNP Paribas Wealth Management analyse the SDG mapping methodologies of investment firms?

There is no standard way of assessing a company's contribution to the SDGs. That said, some investment firms have developed their own methodology, often based on impact data from specialised providers. These methodologies are emerging and differ from one investment firm to another.

BNP Paribas Wealth Management systematically analyses the methodologies implemented by investment firms. This step aims to verify that the reported contribution to the SDGs is tangible and permits to provide a better understanding of the impact reports.

# The 3 steps of the mapping process

#1

## Analysis of how an investment universe is constructed

BNP Paribas Wealth Management ensures that investment firms include issuers with controversy management capabilities and filter out those with poor ESG practices. Equally, investment firms must identify issuers that have implemented solutions generating a positive impact on the SDGs, through an analysis of issuers' activity and specific dialogue.

#2

## Analysis of the guidelines for linking issuers to the SDGs

Different ways of linking an issuer to the SDGs exist. The most common are illustrated below.

Company or Sector of activity

**Linked to a Theme:** "Sustainable mobility and infrastructure" (which can be linked to SDGs 6, 7, 9 and 11)



**Linked to an SDG:** SDG 6 "Clean water and sanitation"



**Linked to an SDG target:** Target 6.3: "Improve water quality by reducing pollution, dumping and chemical releases"



Within the strictest methodologies, the links between issuers and SDGs are subject to quantified criteria. For example, a minimum threshold of revenue generated in favour of the theme, SDG or SDG target, may be imposed.

Some SDGs, such as SDG 5 "Gender Equality", are not easy to link to products and services. The mapping is then carried out via the company's internal practices (operations).

#3

## Analysis of the calculation of a fund's contribution to the SDGs

BNP Paribas Wealth Management analyses the reports on SDGs published by investment firms, in order to challenge the contribution of a fund to the SDGs. This involves excluding insignificant contributions and classifying relevant ones into two categories: **Primary** and **Secondary**, according to the methods used by investment firms to calculate a portfolio's contribution to the SDGs.

### Key points

- This methodology validates the reliability of investment firms' approaches to mapping their funds to the SDGs and report on the SDGs.
- It takes into account the specificities of the methodologies of each investment firm.
- It captures specifically the SDGs to which the fund makes a significant contribution.

## DEFINITION

### SDGs

The Sustainable Development Goals (SDGs) are 17 objectives, broken down into 169 targets, which UN Member States have committed to achieving as part of the Agenda 2030. They address every aspect of sustainable development (climate, biodiversity, energy, water) as well as other themes including poverty, gender equality, economic growth, peace, agriculture and education.

More information here: <https://sdgs.un.org/fr/goals>

## DISCLAIMER

The funds' contribution to SDGs is measured based on portfolio holdings at a given moment. The composition of the portfolio is subject to change, which may affect the SDG mapping. The information provided by the Wealth Management business line of BNP Paribas, namely 'Primary SDGs' and 'Secondary SDGs', is updated on an annual basis. This information may therefore ignore recent movements in portfolio holdings.

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