

SUSTAINABLE DEVELOPMENT INVESTMENTS (SDIs) TAXONOMY & GUIDANCE

June, 2020



TAXONOMY AND GUIDANCE

The present taxonomy and guidance is the foundation of the mapping of investments to the SDGs.

Further details at the industry and product category level (rules and product list) builds on this taxonomy & guidance and is only available to subscribers to the SDI-Asset Owner Platform.



GUIDING PRINCIPLES AND DEFINITIONS

1. The SDI classification focuses on companies' product and service-related contributions to the SDGs, and is based on **financial metrics**, most often revenues.
 - Alternative metrics include standards like the Global Real Estate Sustainability Benchmark, Green Bond Principles, loan book (financials)
 - While the initial focus is on current financial data, future classifications may include forward looking metrics such as patents, capex and/or R&D expenditures.
2. Similar themes, products and services are brought together under the most pertinent SDG, for example, water services under SDG6 (water), not SDG9 (infrastructure)
3. Only for those SDGs where companies' contributions stem first and foremost from their operations or conduct (rather than products and services) will we develop SDG-specific indicators and references to capture those contributions by so-called Acknowledged Transformational Leaders (ATLs).
4. General ESG performance is out of scope, also with respect to ATLs. **ESG factors** will only be considered if
 - They imbed critical attributes of the final product or service (for example, FSC-certified biomass)
 - They could potentially undo the positive contribution. In those cases 'ESG warning flags' are included in the report but do not affect the classification. This is to support integration in individual investors' investment processes.
5. Companies with **intermediate products or services** may qualify as SDIs if these are (i) explicitly dedicated to the final product and associated SDG, and (ii) essential for the use of the final product. For example, batteries for electric vehicles are included, lithium mining would not (although key, it is not dedicated).
6. Continuous research will be conducted to maintain the SDI taxonomy as evolving performance standards, practices and regulations require the **regular re-assessment** of some products and services. For example, diminishing efficiency gains from light saving bulbs with the introduction of LED would render the former no longer an SDI.
7. Some but not all product or service-related revenues can be segmented to undeserved markets or people to address notions of affordability and equitability. We will invest into broadening the scope and also on measuring outcomes related to specific SDGs.

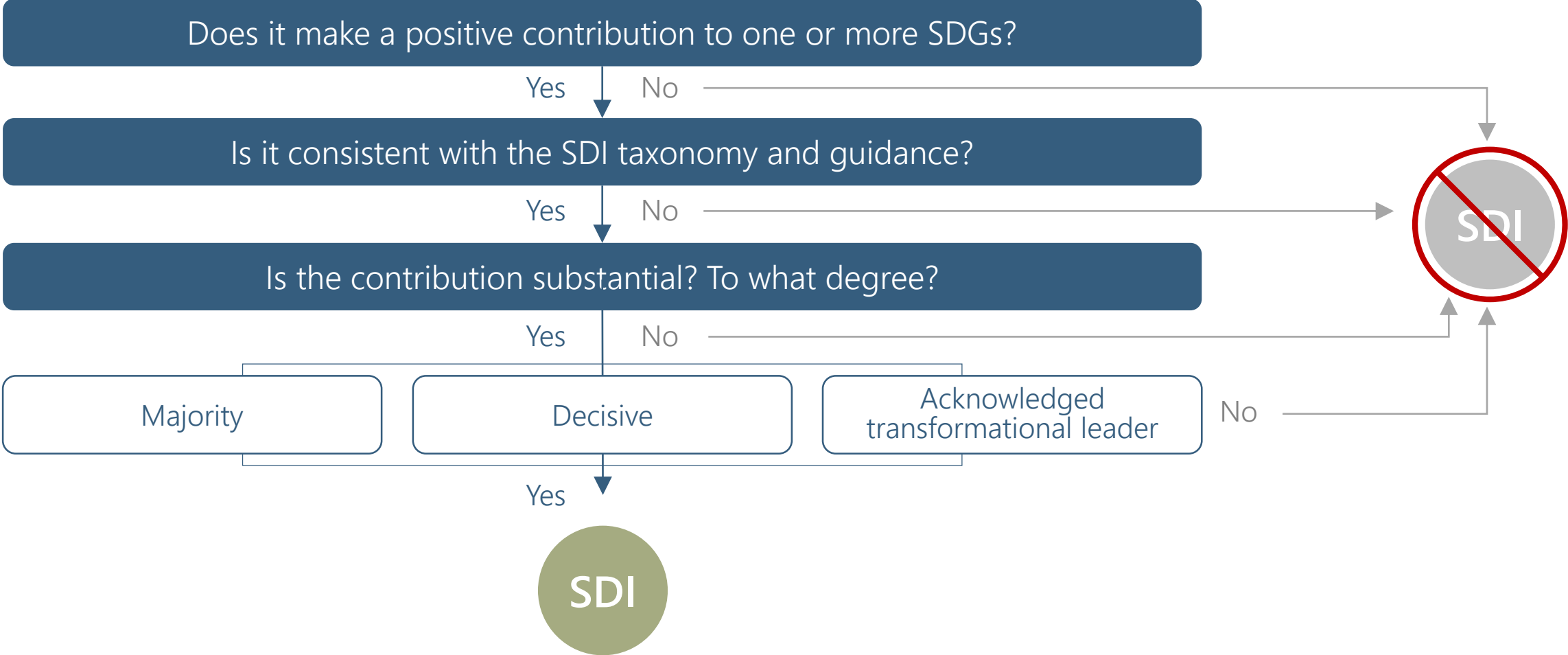


SDI DEFINITION

We invest in solutions that contribute to the UN Sustainable Development Goals. These investments meet our financial risk and return requirements and support the generation of positive social and/or environmental impact through their products and services, or at times through acknowledged transformational leadership. We distinguish between investments where impact has and those where it has not been measured, and stimulate the latter to report on measurable impacts.



SDI DECISION TREE



SUSTAINABLE DEVELOPMENT GOALS



P Contribution through product & services (solutions)

O Contribution through operations & conduct



SDG 1: NO POVERTY

End poverty in all its forms everywhere

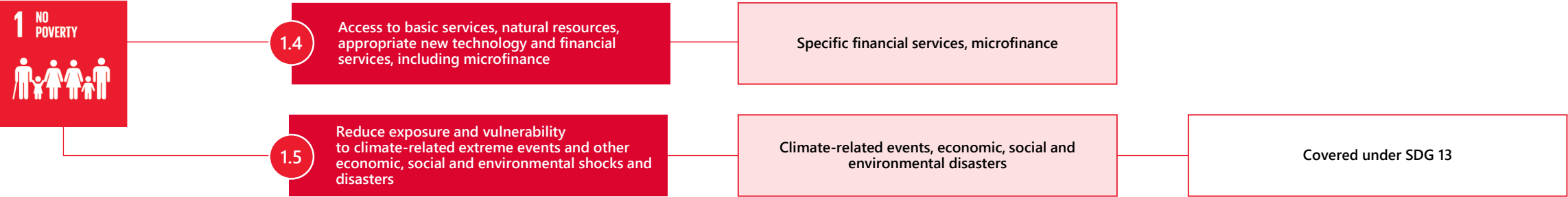
Investable sub-goals

- 1.4** Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
- 1.5** Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters



SDG 1: NO POVERTY

End poverty in all its forms everywhere



SDG 2: ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

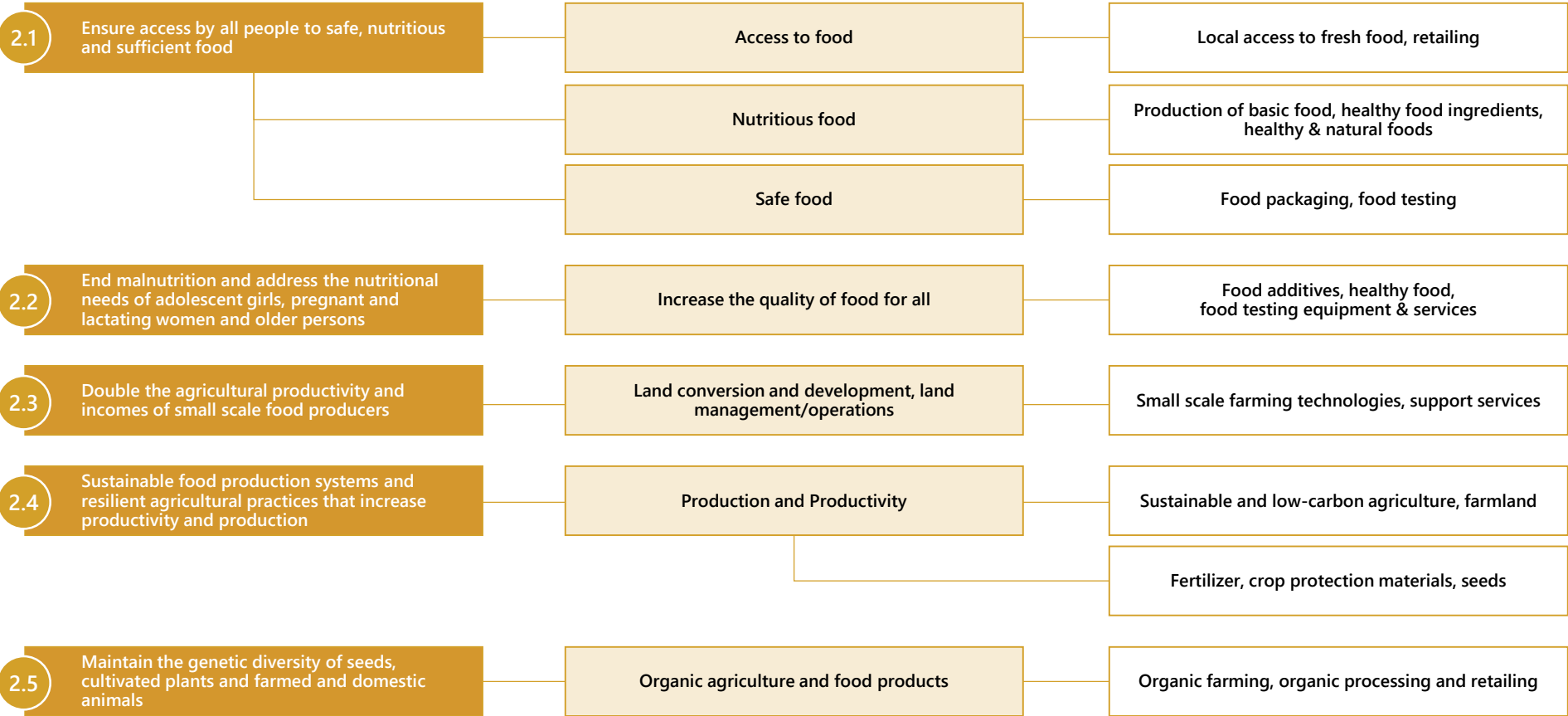
Investable sub-goals

- 2.1 Ensure access by all people to safe, nutritious and sufficient food all year round
- 2.2 End all forms of malnutrition and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons
- 2.3 Double the agricultural productivity and incomes of small-scale food producers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
- 2.4 Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production
- 2.5 Maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge



SDG 2: ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture



SDG 3: GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages

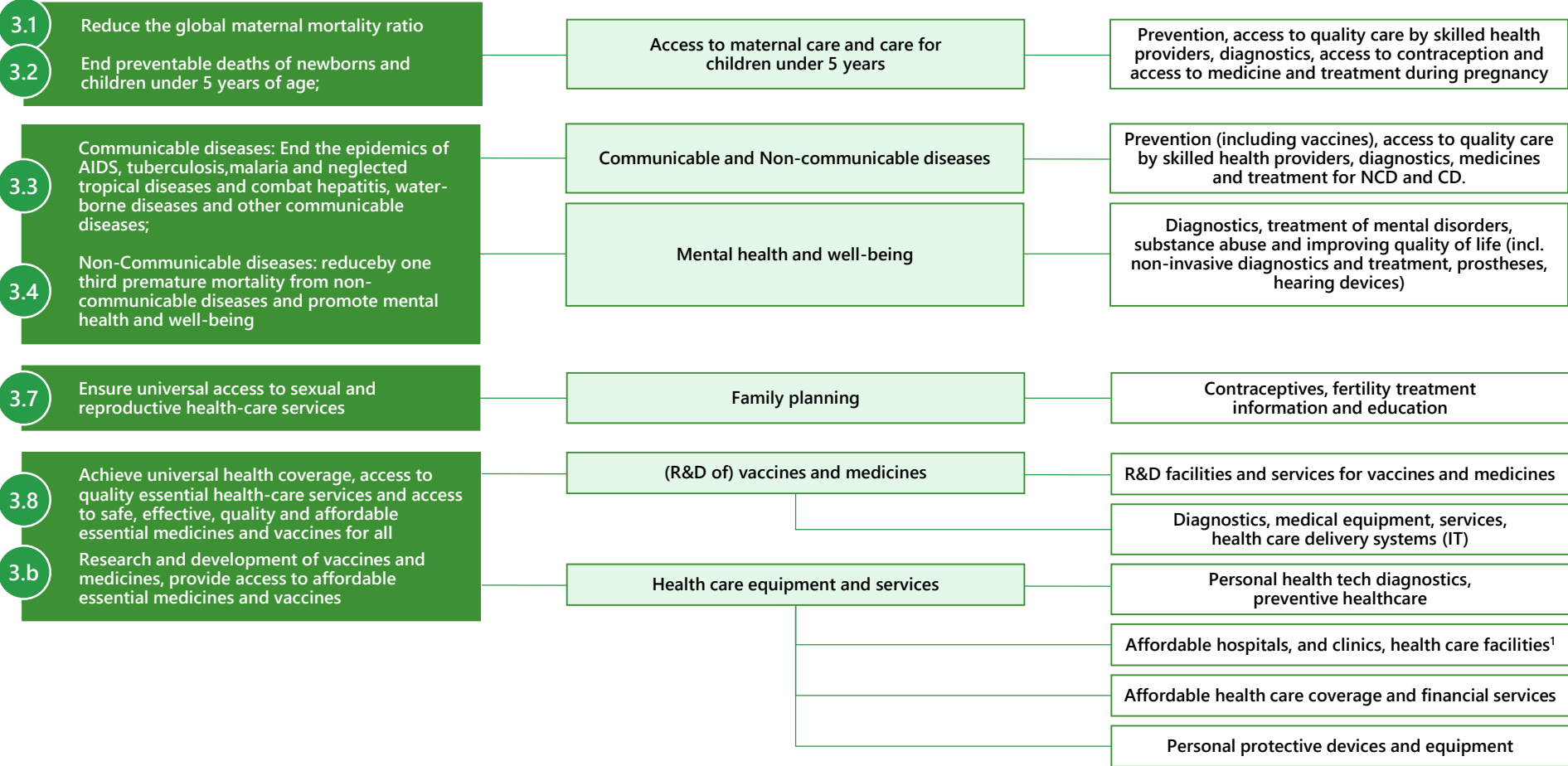
Investable sub-goals

- 3.1 Reduce the global maternal mortality ratio
- 3.2 End preventable deaths of newborns and children under 5 years of age
- 3.3 End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases
- 3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being
- 3.7 Ensure universal access to sexual and reproductive health-care services, including for family planning, information and education
- 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
- 3.b Research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines



SDG 3: GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages



1. Covered under SDG 9



SDG 4: QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities

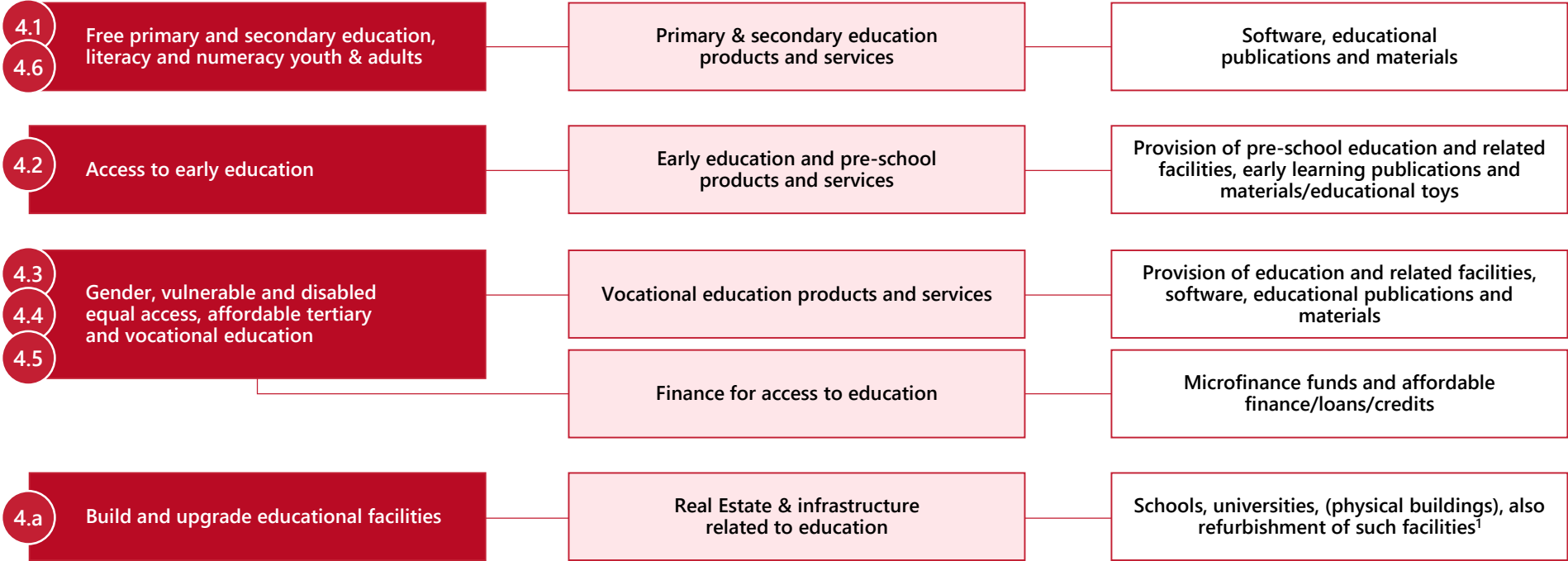
Investable sub-goals

- 4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
- 4.2 Ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
- 4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
- 4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- 4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
- 4.6 Ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy
- 4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all



SDG 4: QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities



1. Covered under SDG 9



SDG 5: GENDER EQUALITY

Achieve gender equality and empower all women and girls

We are identifying Acknowledged Transformational Leaders whose contribution through operations and/or conduct classifies as SDI



SDG 6: CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all

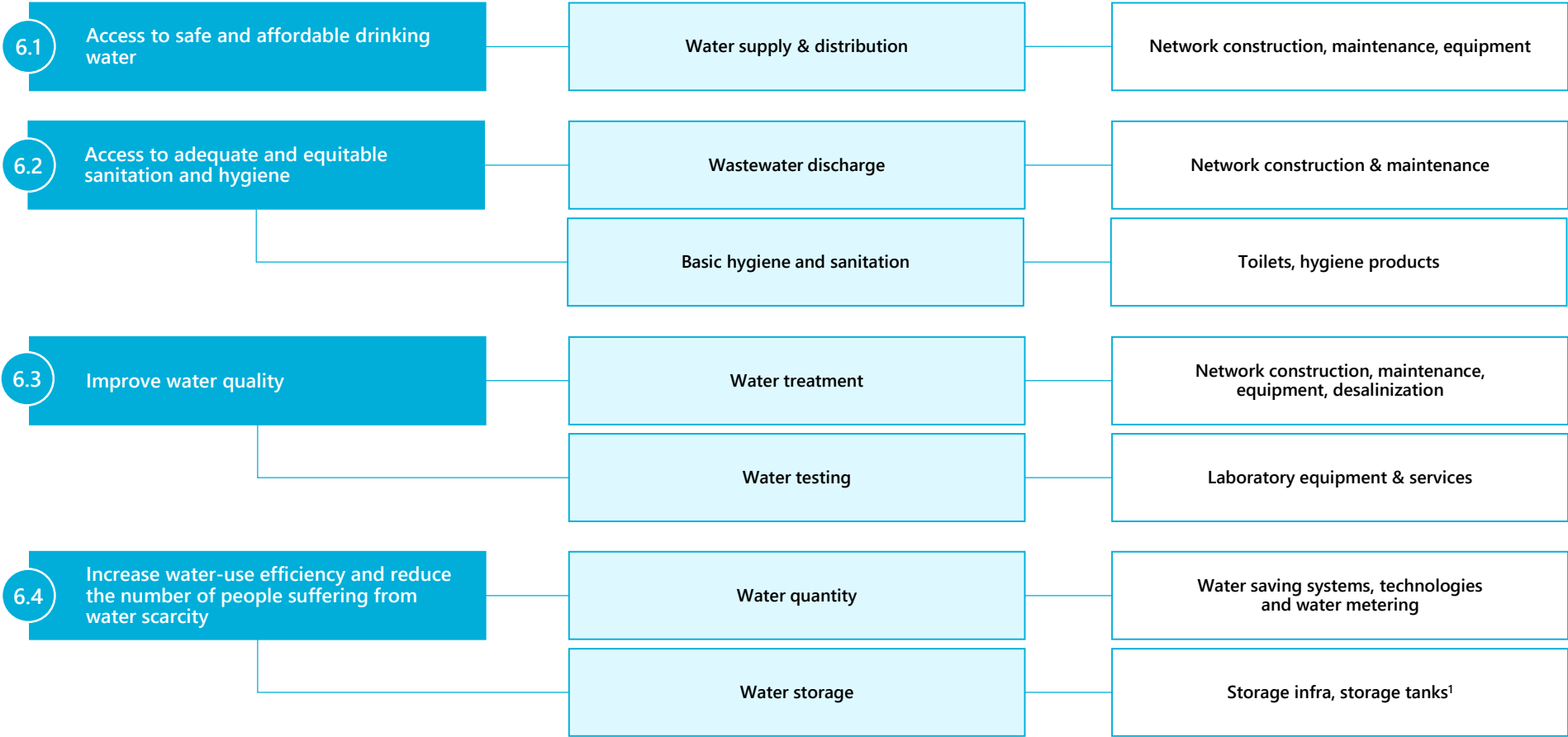
Investable sub-goals

- 6.1 Access to safe and affordable drinking water for all
- 6.2 Access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
- 6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- 6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity



SDG 6: CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all



1. Covered under SDG 13



SDG 7: AFFORDABLE CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all

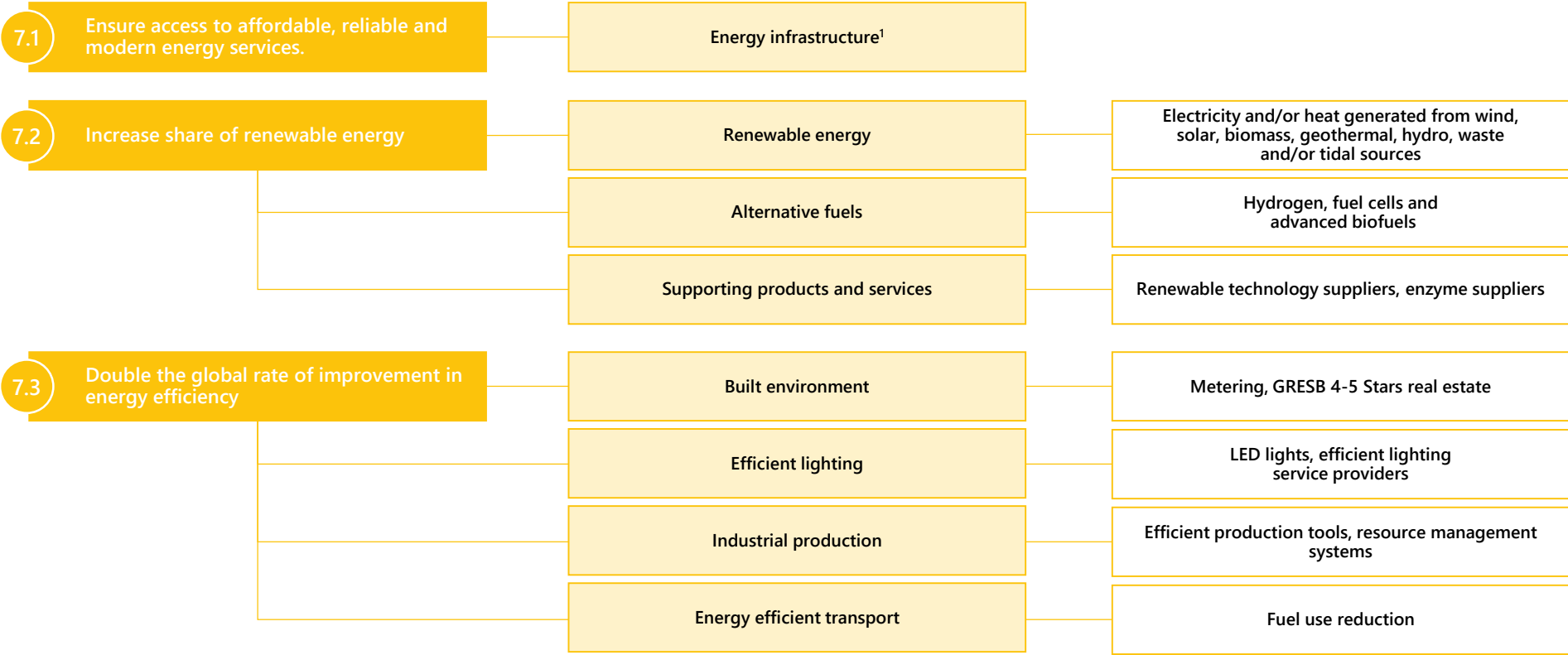
Investable sub-goals

- 7.1** By 2030, ensure universal access to affordable, reliable and modern energy services
- 7.2** By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.3** By 2030, double the global rate of improvement in energy efficiency



SDG 7: AFFORDABLE CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all



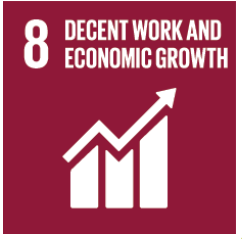
1. Covered under SDG 9



SDG 8: DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

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SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

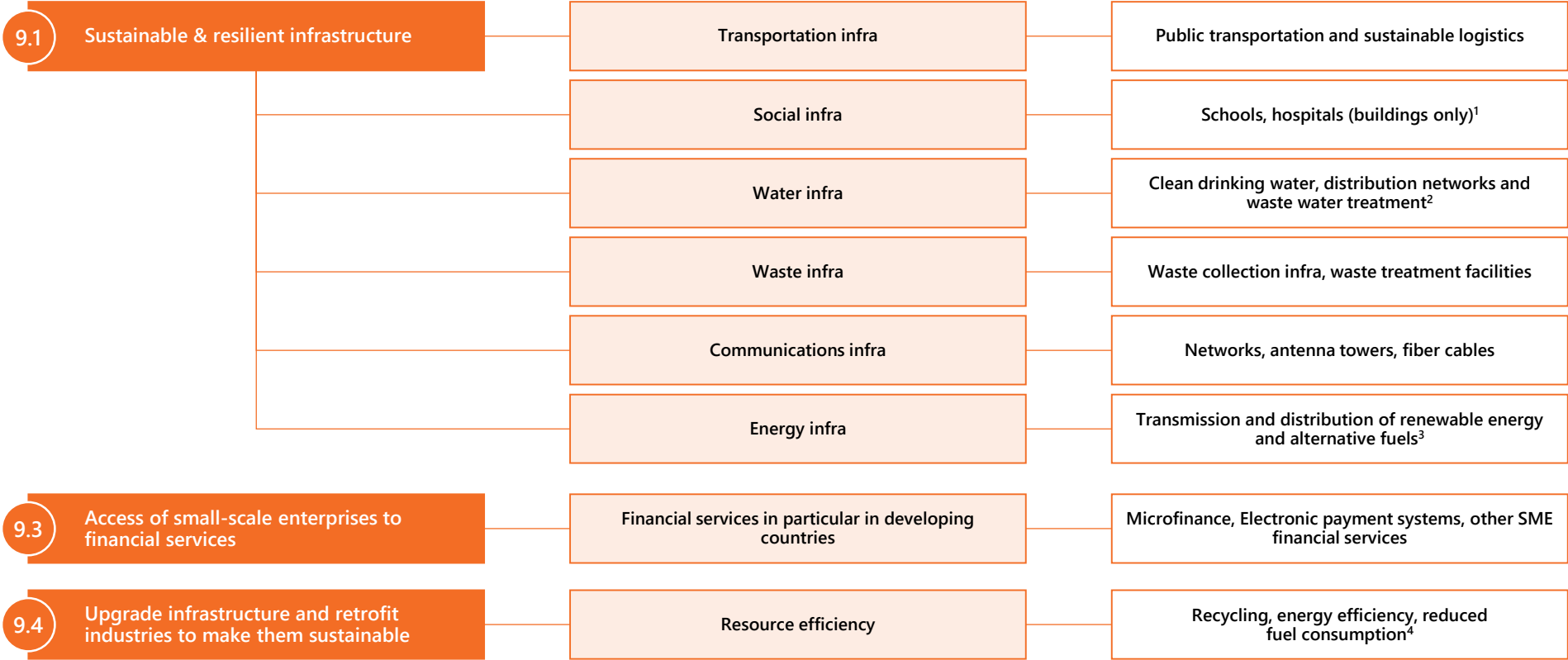
Investable sub-goals

- 9.1** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
- 9.3** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
- 9.4** Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



1. Housing covered under SDG11
2. Covered under SDG 6
3. See SDG7 for renewable energy generation
4. Energy and fuel efficiency covered under SDG7



SDG 10: REDUCE INEQUALITIES

Reduce inequality within and among countries

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SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable

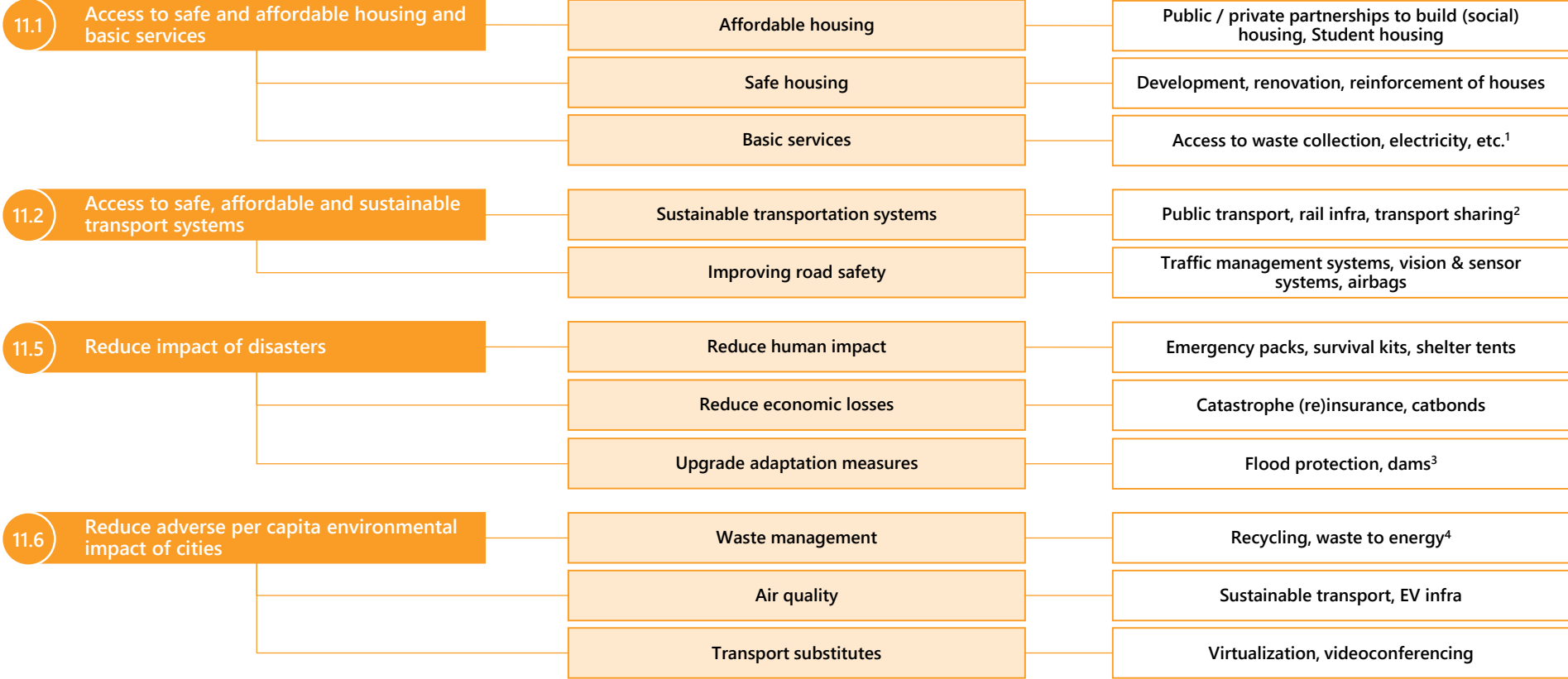
Investable sub-goals

- 11.1 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
- 11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport
- 11.5 Significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
- 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable



1. Covered under SDG6, SDG7 and SDG9
2. Transport infrastructure covered under SDG9
3. Covered under SDG13
4. Covered under SDG7



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

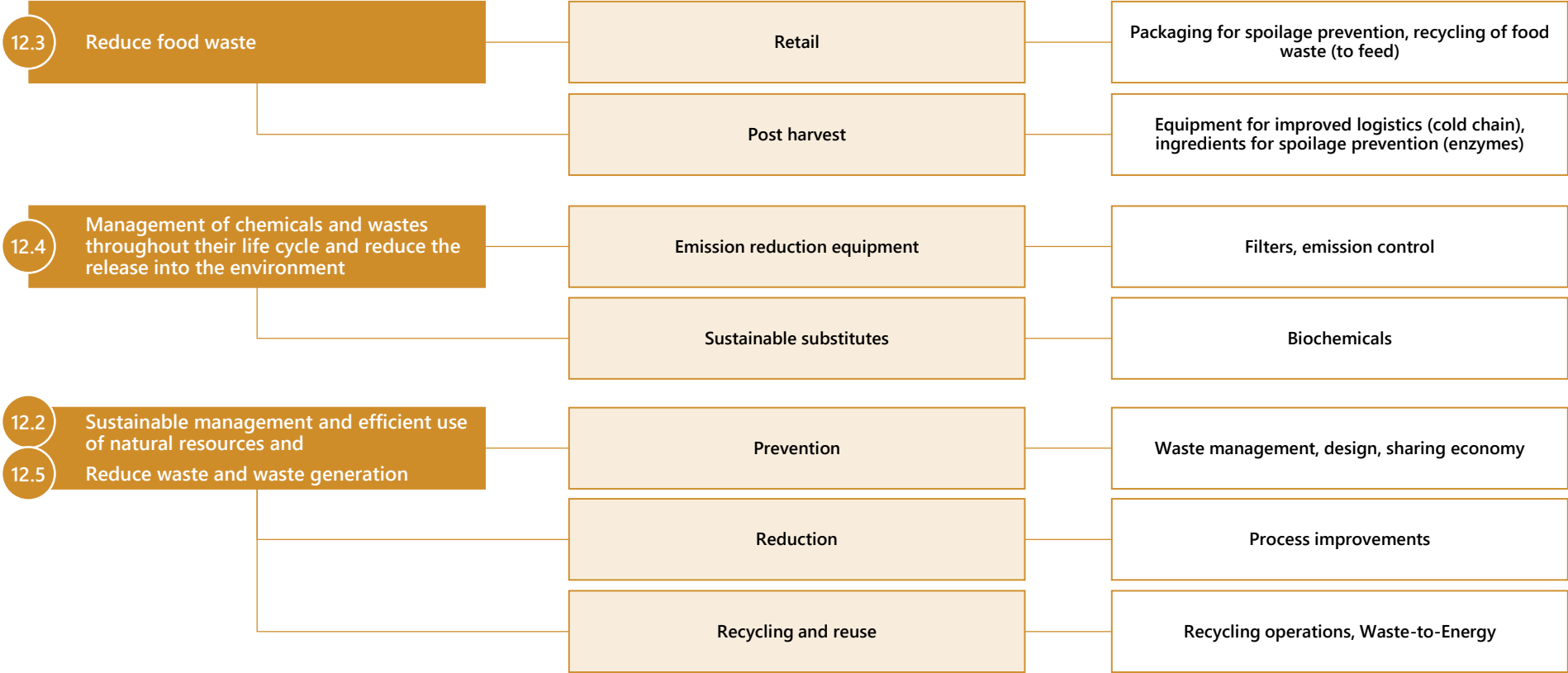
Investable sub-goals

- 12.2 Achieve the sustainable management and efficient use of natural resources
- 12.3 Halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses
- 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
- 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns



SDG 13: CLIMATE ACTION

Take urgent action to combat climate change and its impacts

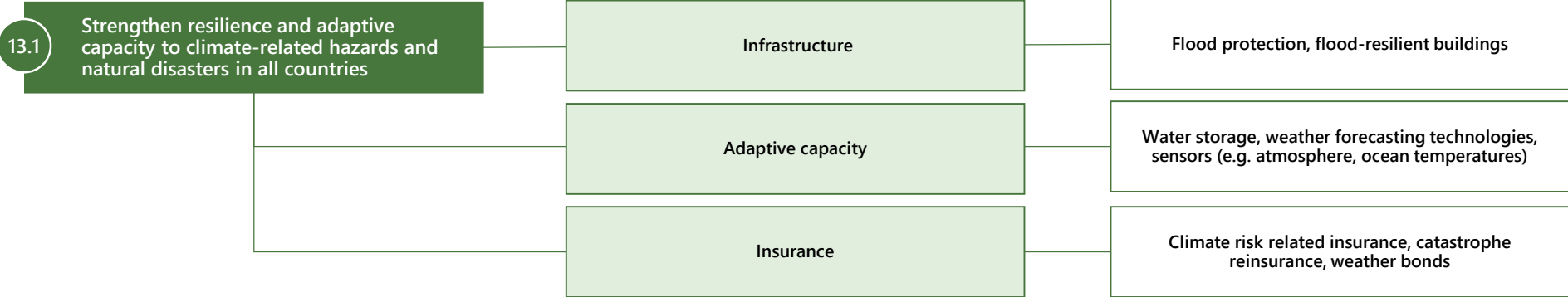
Investable sub-goals

- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
- 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
- 13.b Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities



SDG 13: CLIMATE ACTION

Take urgent action to combat climate change and its impacts



SDG 14: LIFE BELOW WATER

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

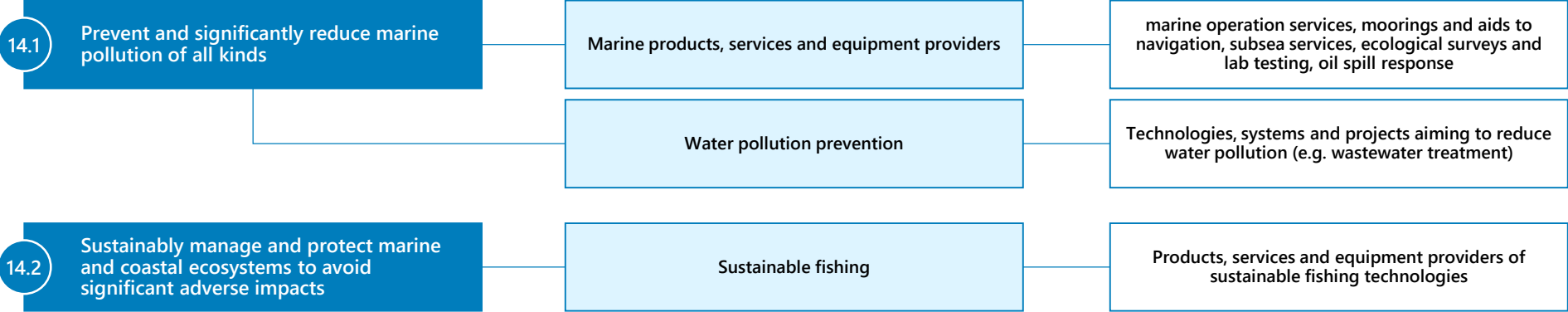
Investable sub-goals

- 14.1 Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution
- 14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans



SDG 14: LIFE BELOW WATER

Conserve and sustainably use the oceans, seas and marine resources for sustainable development



SDG 15: LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss

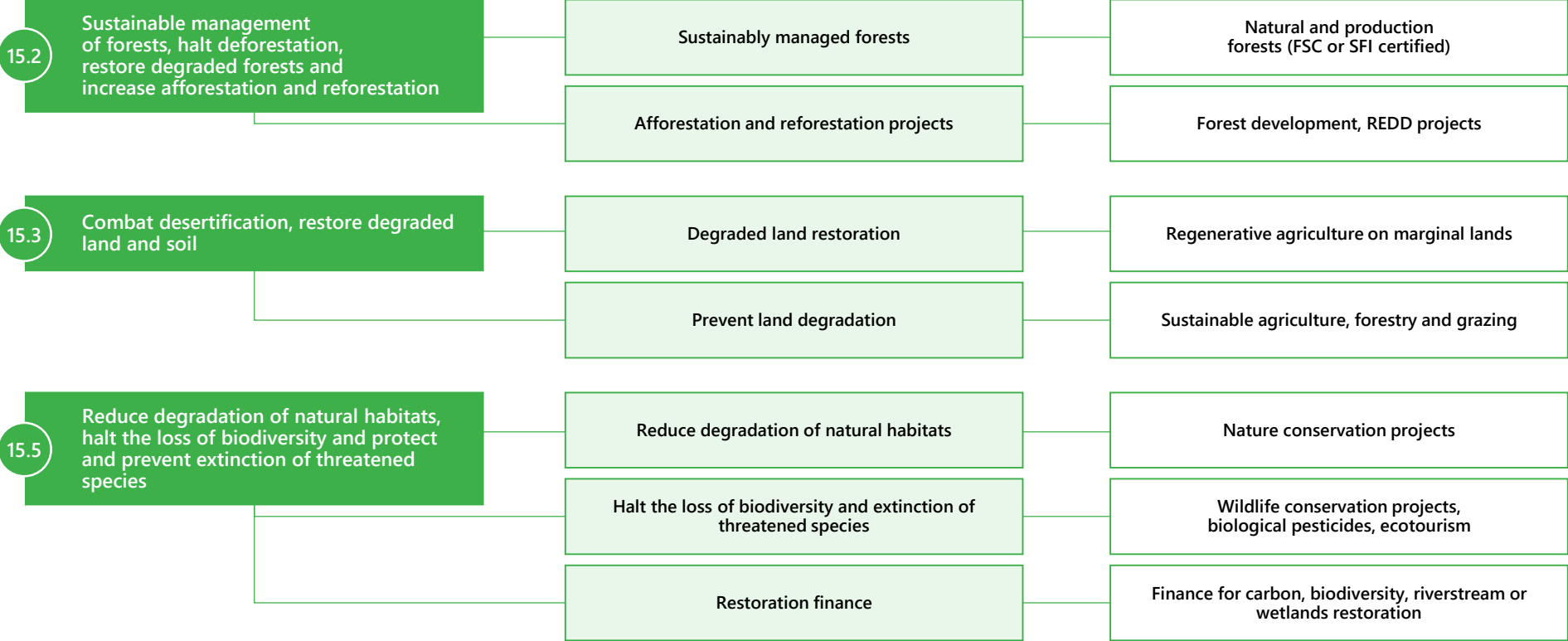
Investable sub-goals

- 15.2** Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
- 15.3** Combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world
- 15.5** Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species



SDG 15: LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss



SDG 16: PEACE AND JUSTICE STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

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SDG 17: PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

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