

For investment professionals,
institutional investors and
professional investors only



No time to waste
The SDG Reckoning



2021
Second edition



Contents

The SDG Scorecard: A summary	4
Introduction	6
Methodology	8
SDG 1: No Poverty	9
SDG 2: Zero Hunger	10
SDG 3: Good Health and Wellbeing	11
SDG 4: Quality Education	12
Social inclusion: How COVID-19 tipped the scales towards inequality	14
SDG 5: Gender Equality	18
SDG 6: Clean Water and Sanitation	19
SDG 7: Affordable and Clean Energy	20
SDG 8: Decent Work and Economic Growth	21
Circular economy: “Designing out” waste	22
SDG 9: Industry, Innovation and Infrastructure	26
SDG 10: Reduced Inequalities	27
SDG 11: Sustainable Cities and Communities	28
SDG 12: Responsible Consumption and Production	29
Biodiversity: Protect nature to protect society	30
SDG 13: Climate Action	35
SDG 14: Life Below Water	36
SDG 15: Life on Land	37
SDG 16: Peace, Justice and Strong Institutions	38
SDG 17: Partnerships for the Goals	39
SDG Scorecard	40
Final word	41
Metric detail and sources	42

The SDG Scorecard: A summary

When the first set of pandemic-related restrictions started to ease last year, a global push to 'build back better' hit headlines and dominated business and policy discussions. The spread of COVID-19 had severely hindered progress towards achieving the United Nations' Sustainable Development Goals (UN SDGs) – exposing weaknesses across economic and healthcare systems while magnifying existing social and environmental challenges. The crisis wreaked havoc on education systems, exacerbated poverty and widened social equality gaps. The consensus is that reverting back to 'business as usual' is not a viable option. Instead, many nations have shifted their attention to a recovery that ensures a just and resilient future for people and the planet.

The first M&G Investments SDG Reckoning scorecard, published last year, made a case for collaboration across public and private sectors to get the world back on track. It focused on the role impact investors across capital markets can play in addressing global challenges, and how they can help accelerate progress across many of the SDGs and their underlying targets. One year (and a few lockdowns) later, there is still impetus worldwide to target a robust and sustainable recovery. But how much progress has actually been made so far?

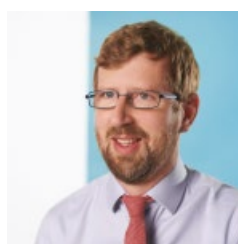
Our second SDG Reckoning report assesses all 17 goals – from a general perspective and through an impact investing lens – on a scale of 1 to 10 using an enhanced methodology (see page 8) to update last year's rankings, determining whether the world has started to follow through on its sustainable recovery pledges. This year's report not only zeroes in on goals that we think most urgently need investment, but also suggests what form that investment could take.

Our analysis shows that there has been a no improvement in overall progress towards achieving the UN's goals, with an average 2020 progress score of 4.1 out of 10 across all 17 goals, unchanged from 2019. However, this still means that the world remains behind target. There has been no material change in progress towards nine of the SDGs, and some notable deterioration on the social side across SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). On the environmental side, our analysis suggests progress towards delivering

SDG 12 (Responsible Consumption and Production) has also declined. However, there was some progress in 2020 with regard to SDG 6 (Clean Water and Sanitation), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action).

There is still a huge amount of work to be done on social inclusion. We have also flagged an urgent need to shift to a circular global economy, moving away from the current wasteful and linear model. At the same time, biodiversity loss has really come to the fore in the last 12 months – with the world waking up to the stark reality of nature and habitat loss, and the repercussions this has on the ecosystems that provide the foundations for human wellbeing and a stable climate. We have continued to see advancements in areas such as climate action, but that does not mean we are out of the woods. The Intergovernmental Panel on Climate Change's (IPCC) recent warning that major climate change is now "irreversible" and temperatures are likely to increase by more than 1.5 °C above pre-industrial levels is perturbing, though perhaps unsurprising. As UN Secretary-General António Guterres, said, there "is no room for excuses". It is now or never.

There is without a doubt a long way to go in orienting towards a more sustainable and equitable society, but while there are obstacles and uncertainties, there is a palpable sense of hope as we emerge from the COVID-19 crisis. The next nine years hinge on whether political leaders, companies and financiers can help drive the shift to bouncing back in a resilient and equitable way – redesigning the future and pulling out all the stops to reach the UN's 2030 deadline. An increasingly engaged population of concerned citizens also has a critical role to play in embracing behavioural change and holding these other actors to account. The world has pledged to 'build back better' – and we must keep that promise.



Ben Constable-Maxwell
Head of Impact Investing

An aerial photograph showing a railway track running vertically through the center of the frame. The track is flanked by dense green trees and fields. The lighting is bright, creating a vibrant green scene.

“ The world has pledged to ‘build back better’ – and we must keep that promise. ”

Introduction

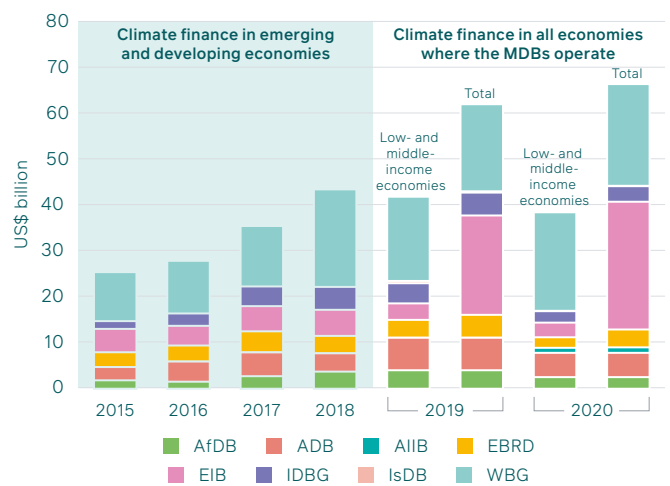
The next few years will be absolutely pivotal to closing the annual SDG financing gap – estimated to be around US\$2.5 trillion. The Positive Impact Initiative think tank has previously warned that the scale of financial flows addressing the SDGs is insufficient. It is evident that both the public and private sector must augment action and direct capital towards addressing global problems such as food insecurity, health inequalities, discrimination, pollution, global warming and habitat loss.

This year’s M&G Investments SDG Reckoning report provides our own interpretation of how much work is required to fulfil the SDGs. Looking through an impact investing lens, we analyse what progress (if any) has been made since 2020, setting this in the longer term context of the 2030 deadline. In addition to our analysis of all 17 goals, we have pinpointed three fundamental and highly interconnected themes that we believe warrant greater attention and investment:

- Social inclusion
- Biodiversity protection
- Circular economy

It is encouraging that awareness of some pressing issues, such as nature loss, is rising – but while interest in solving these problems has increased, there is a lot of catching up to do. At the same time, wastefulness has become increasingly problematic in the wake of the pandemic, with a shocking spike in single-use plastic. Furthermore, the COVID-19 crisis has continued to plunge millions of people into poverty, while public and private sector actors need urgently to turn their attention to promoting social inclusion and economic security.

Figure 1 Multilateral Development Banks’ climate finance commitments 2015-2020 (in US\$ billion)



Source: European Bank for Reconstruction and Development (2020 Joint Report on Multilateral Development Banks’ Climate Finance).

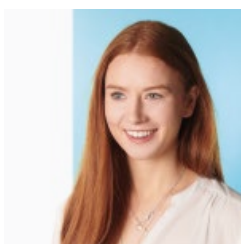
“ This is about targeting a demonstrably positive impact for society and the planet. ”

The value of a fund’s assets will go down as well as up. This will cause the value of your investment to fall as well as rise and you may get back less than you originally invested. The views expressed in this document should not be taken as a recommendation, advice or forecast.



How, then, can the world make things better for people and the environment? Governments, corporations, non-governmental organisations (NGOs), investors and individuals can all make a difference, but it is important to bear in mind that responsibilities for delivery of the goals vary, depending on the issue. From an impact investment perspective, we have thought about what form of investment suits each sustainable development area, though it very much depends on the stage and nature of the opportunity. Every part of the investment chain has a role to play – from early stage, catalytic capital, through to private assets and then listed equity and credit. Some asset managers have the ability to get involved across the whole sphere, with an end-to-end impact financing approach that can be adapted to the business life cycle.

This year's SDG Reckoning report considers how active investors can support and amplify sustainable development action across sectors, by identifying opportunities and companies that deliver products and services that can address the world's most critical challenges. This is about targeting a demonstrably positive impact for society and the planet, at the same time as aiming for sustainable long-term returns.



Rachel Roddy
Investment Specialist



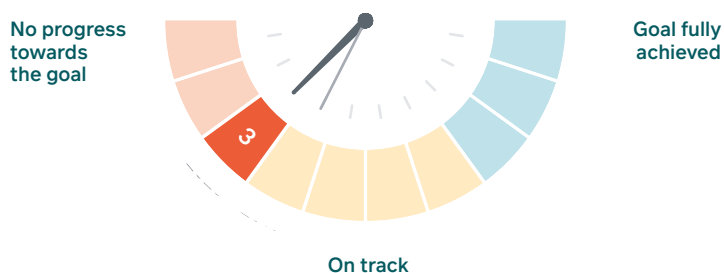
Methodology

Our SDG scorecard assesses global, year-on-year progress, from a general perspective and through an impact investing lens, towards achieving the UN's 17 SDGs. This year, we have refined our methodology – moving from a more intuitive and qualitative assessment of the SDGs to one based on specific data points.*

We have chosen one key representative indicator per goal – assessing any changes to each metric over the year to determine how much progress has been made worldwide. For example, to measure progress across SDG 14 (Life Below Water), we have used the Ocean Health Index as our primary metric to determine the score for that particular goal.

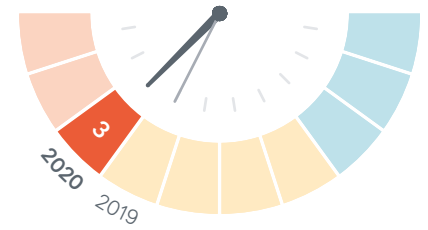
In addition, we have provided contextual detail and qualitative analysis alongside each score, including key developments, considerations and figures to provide an in-depth insight into how much work is needed worldwide to achieve the UN's 2030 agenda.

On a scale of 1-10, we have allocated a number to each SDG, indicating whether the world is on target, behind schedule or ahead of schedule in terms of progress. An SDG with a score of 5 out of 10, for example, means that we think the world is on track towards delivering that goal. Our new 'dial' shows how our scores compare to last year. The larger arrow highlights the 2020 score, while the smaller arrow points to the 2019 score, demonstrating how much (or how little) progress has been made in a year, based on our analysis. While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.



*This has given us the opportunity to fine tune and restate two of our 2019 SDG scores: SDG 11 and SDG 17, which have been re-stated for 2019 from 6/10 to 5/10.

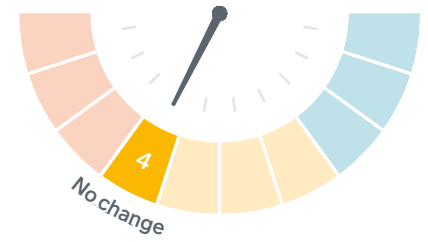
No Poverty



In 2020, global extreme poverty rose for the first time in more than 20 years.

In 2020, global extreme poverty rose for the first time in more than 20 years. About 120 million additional people are living in poverty as a result of COVID-19, demonstrating the extent to which the pandemic has reversed hard-fought progress across certain goals. The total is expected to increase to about 150 million by the end of 2021, the World Bank Group has highlighted. Progress towards this goal has thus deteriorated, with an estimated 9.1% of the population living on less than US\$1.90 a day in 2020, up from 8.4% in 2019. Eliminating extreme poverty by 2030 is a universal responsibility, and much of the onus is on policymakers and the public sector to set the agenda and take the appropriate measures. Uncertainty remains over how those benefiting from pandemic-related protections will fare in the longer term, as emergency support is taken away. And while governments put in place 1,600 short-term measures in response to the pandemic, four billion people are still not covered by social protection, according to UN figures. Early on in the crisis, the OECD warned that while there has been a desperate need to deploy measures quickly, governments must ensure that stimulus is designed properly, so that it does not have negative and long-term consequences for national welfare and global trade. As the world emerges from the pandemic, governments are having to tread carefully to get their economies back on track and to prevent long-term damage to society. Women and young people are bearing the brunt of pandemic-related poverty, so poverty reduction targets must be considered alongside other related goals – such as SDG 5 (Gender Equality). Employment also plays a salient part in lifting people out of deprivation, in line with SDG 8 (Decent Work and Economic Growth), demonstrating the inter-related nature of the goals. Policy action and public-private partnerships are imperative to relieve global poverty. But what can impact investors do to help? Supporting businesses that are providing access to economic services such as banking or telecommunication can help to lift vulnerable individuals and communities out of poverty. Seeking out companies that are delivering solutions to improve working conditions can also play a role – whether they are relatively early stage projects that require fresh, catalytic capital from private assets investors, or listed businesses, where public equity investors can provide patient and supportive capital to enable company growth.

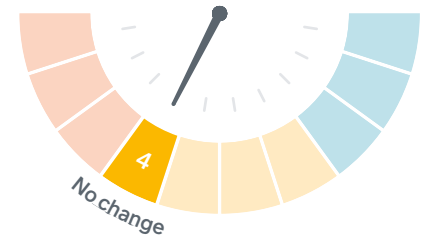
Zero Hunger



Between 720 and 811 million people in the world went hungry in 2020.

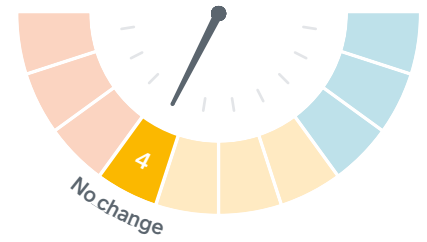
We are a long way away from alleviating world hunger and achieving food security. Progress is even further behind schedule than last year – based on our methodology, where we note that the prevalence of stunted growth in children has risen, [according to World Health Organisation data](#). Between 720 and 811 million people in the world went hungry in 2020, [the UN has found](#). We expect a slight reversal of steady progress achieved since 2000 due to COVID-19, though this will become clearer with more data over time. The UN reported that, after remaining relatively unchanged for five years, the prevalence of undernourishment rose to 9.9% in 2020 – up 1.5 percentage points. It also flagged a widening gender gap in the prevalence of moderate or severe food insecurity. Governments have a duty to do more to boost food security for citizens. However, investors can also help by investing in sustainable and regenerative agriculture – focusing not only on food production but also targeting solutions that help tackle poverty in regions where people are particularly dependent on agriculture to make a living. The agriculture sector in Africa, for example, [employs 60% of the sub-Saharan workforce](#) and makes up nearly a quarter of Africa's GDP. This goal is closely aligned with the need for a more circular economy – given that a less wasteful system would help boost food security. More than 900 million tonnes of food is wasted every year, the UN Environment Programme's Food Waste Index estimates. Reducing waste should enable greater food availability for all, while also addressing a major source of global greenhouse emissions. The World Economic Forum (WEF) Circular Economy initiative and the African Circular Economy Alliance have suggested training farmers in methods such as converting food waste to organic fertiliser, thus increasing circularity in food systems and reinforcing green production. Production and yield are important, but investors should also look at animal health and the amount of chemicals used. Analysing the potential negatives of an investment – in addition to the positives – is a crucial component of impact strategies. While some opportunities may do good from a food production perspective, the same practices may be harmful for biodiversity and the broader environment. Robust due diligence and holistic analysis is the key to assessing the 'net impact' of a potential holding, to avoid any positive impact being outweighed by potentially negative activity.

Good Health and Wellbeing



It goes without saying that human health has come under the spotlight over the last couple of years due to COVID-19 and the devastating impact it has had on lives, livelihoods and economies. The global health crisis has exposed gaps in healthcare systems across the world, providing impetus for change. To a large extent, those gaps still exist – but there have been some advancements. The race to develop vaccines before rolling them out globally has shown how much can be done under pressure; pressure to save lives and restore economies. For this goal, we have noted that the steady long-term improving trend has been knocked off course short term by COVID-19. For example, routine immunisations services faced serious challenges in 2020 due to the pandemic, which caused the most widespread global disruption in recent history, according to research published in [The Lancet](#). Frustratingly, access to coronavirus inoculations has been uneven and unfair. In July this year, the head of the World Health Organisation called attention to the “horrifying injustice” that 75% of the vaccine shots delivered globally so far were in just 10 countries. While COVID-19 has acted as a serious setback to global health, there have been notable improvements to human health and wellbeing in recent years. For example, we looked at [WHO Global Malaria Programme data](#), which show that in the last year, two more countries (El Salvador and China) have been added to the list of Malaria-free regions. Investing in solutions that ensure good access to quality healthcare for everyone, regardless of their financial, family or cultural background, can improve the quality of life of individuals and increase life expectancy within societies. Evidence also shows that good physical and mental wellbeing improves labour market participation and productivity. One option is to harness private capital to improve healthcare outcomes – such as investing in companies and organisations that provide health and social services, as well as financing buildings (eg hospitals and care homes), facilities or equipment. Private assets often provide ‘pure-play’ impact opportunities, with finance dedicated to specific projects or smaller companies focused on a narrower range of activities. In particular, private capital can play a catalytic role in providing much-needed early stage support as a healthcare solution gets off the ground, providing incubator capital to support new technologies or pharmaceutical solutions. Listed market participants, on the other hand, can help accelerate investment into healthcare solutions, allowing investors to make a difference on a bigger scale. Impact investors are often there for the long term to support a business’s growth and impact. This can also mean getting involved with a company in the earlier, private market stages of their growth, then partnering with them as they make the journey into more mature public markets.

Quality Education



31% of schoolchildren globally could not be reached by internet-based or broadcast-based learning policies.

Pupils across the world have experienced an extremely turbulent time since the pandemic first disrupted education systems and resulted in school closures. Some pupils were able to continue learning remotely, but many students in other parts of the world were not so fortunate. Children of poorer households with limited or no internet access suffered significant setbacks. Like SDG 3, steady long-term improvement across this goal has been knocked off course by COVID-19. UNICEF found that 31% of schoolchildren globally could not be reached by internet-based or broadcast-based learning policies due to lack of technology or because they were not targeted by said policies. Education plays a fundamental role across a huge range of issues, including inequality reduction, social inclusion, poverty alleviation and climate change. Public funding in this area is important as the main source of provision for education. However, private investors can also take action and fill any education gaps left by limited government funding. For example, public equity investors can participate by investing in services and organisations that meet the need for education to lower-middle income or underserved groups. Private debt and equity investors can also invest in education or training service providers, but their remit can broaden into educational facilities, libraries, computer labs or student accommodation. The construction of new student accommodation has failed to keep up with rising student numbers, and this undersupply of accommodation is more pronounced in the affordable segment of the market, where there has been little supply in recent years. Moreover, it is also possible to finance student loans, providing access to education, and the opportunities that education provides, to those who many not necessarily be able to afford it.



Spotlight: Social inclusion

How COVID-19 tipped the scales towards inequality



“ Only 0.4% of COVID-19 vaccination doses had been administered in low income countries as at 13 September 2021. ”

The world is experiencing a consumer bailout unlike any before. An unprecedented flood of fiscal and monetary support has shored up billions of livelihoods and small businesses throughout the pandemic. But as the economic band-aids come off, the social scars are looking deeper than ever.

The effect the global outbreak has had on social progress is profound. Despite governments and central banks wading in to help, the pandemic has continued to exacerbate a multitude of existing, deep-seated social issues. Our first SDG Reckoning Report flagged the pandemic-related reversal of progress across different areas – with the vulnerable and marginalised suffering most. There have been some positive developments since then, but in many cases the situation has deteriorated further. With now only nine years to go for the world to achieve the UN’s 2030 agenda, that’s a bitter pill to swallow. But where to start?

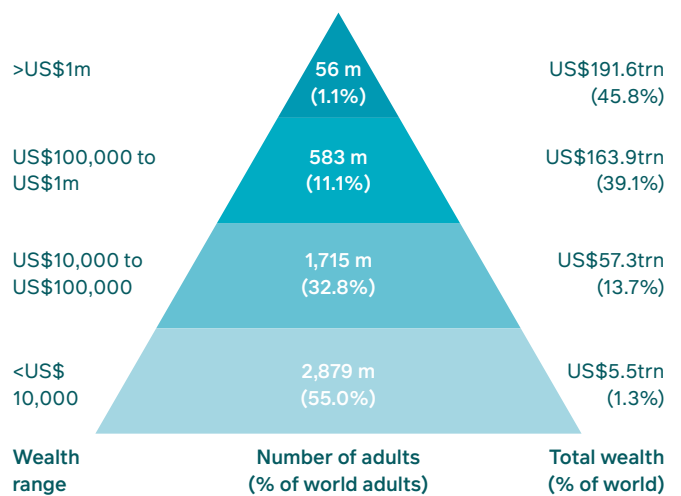
This crisis has hit the youngest generations hard. Add to this the existing pre-pandemic levels of [intergenerational inequality](#), and it’s easy to see why there is so much catching up to do. One of the biggest setbacks over the COVID-19 crisis has been the widespread disruption to education. Last year, the [UN found](#) that closures of schools and other learning spaces affected 94% of the world’s student population – up to 99% in low and lower-middle income countries. And while the proportion of economically-active young adults either unemployed or fully furloughed halved between May 2020 and the end of May 2021 to around 16%, they are two and a half times more likely to be out of work [than older people](#), according to the Resolution Foundation.

There is also a great deal of work needed on gender equality. The gender gap in political empowerment has widened since 2020 by 2.4 percentage points – and is only 22% closed, according to the [World Economic Forum's 2021 Global Gender Gap Report](#). Achieving gender parity would also make a huge, positive difference to other global issues, including nature loss. As Razan Al Mubarak, managing director of the Mohamed Bin Zayed Species Conservation Fund, [points out](#), women in many parts of the world, particularly in indigenous communities, are among the first to experience biodiversity loss, and are well-positioned to take action on conservation issues. Women are underrepresented in the research world, and it is crucial that we increase the participation of women and girls to boost the conservation effort.

As the world struggles with poverty, intergenerational unfairness and gender and racial inequity, a further type of inequality has been highlighted in the last 12 months, in the form of COVID-19 vaccine disparity. The New York Times [vaccine tracker](#) showed that only 0.4% of doses had been administered in low income countries as at 13 September 2021, compared to 80% of doses in high and upper-middle-income countries. There are some encouraging developments, such as the COVAX programme – which aims to help lower income regions get financial support and equal access to a vaccine once available. However, the vaccine gap only serves to demonstrate the wider health gap needing to be tackled globally.

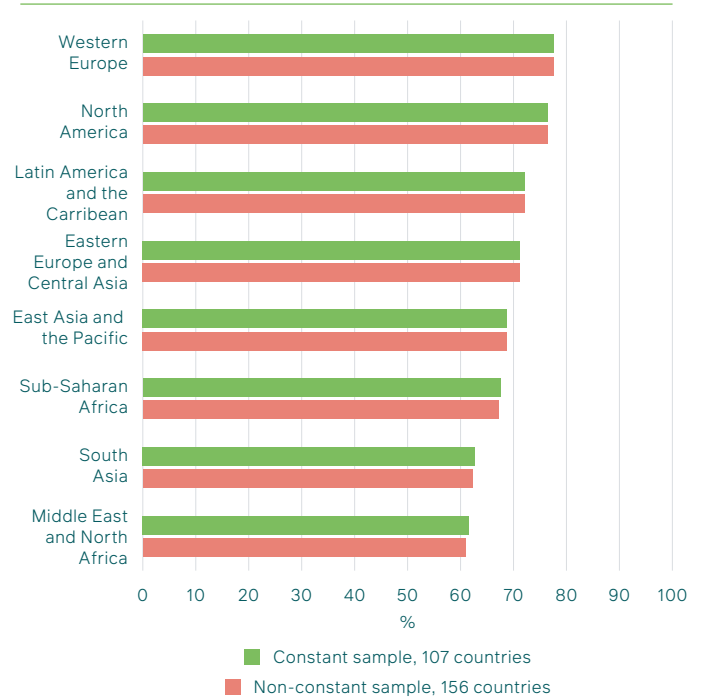
With vaccination programmes accelerating and economies reopening, there is a risk that the investor focus moves away from sustainability towards cyclical considerations. However, there are signs that the world is starting to embrace the idea of sustainable economic cycles – evidenced by the financial commitments from governments to build back better. There has (quite rightly) been an increasing focus on environmentally positive recovery packages. The same level of focus should be applied on the social side – after all, the two areas are deeply interlinked. It is crucial that both the public and private sectors remain committed to both a green and equitable recovery as we emerge from the pandemic. Social issues deserve just as much attention and investment as environmental issues. The good news is that the need to address the world's social challenges is rising up the agenda – such as the EU Platform on Sustainable Finance's proposals for a [social taxonomy](#). Reporting on environmental risks is becoming increasingly regulated. From October 2021,

Figure 2 The global wealth pyramid 2020



Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2021.

Figure 3 Global progress towards gender parity uneven



Source: World Economic Forum, Global Gender Gap Index, 2021.

UK pension schemes must report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. There should be a similar level of scrutiny when it comes to social risks. Better information and data result in better outcomes, and this is where investors can play a big part in engaging and pushing for greater disclosure. Better data would also help on a policy level. The UN has drawn attention to the need for increased investments in national data and information infrastructure, noting that the pandemic has shown that weaknesses in data systems present a massive challenge to decision makers.

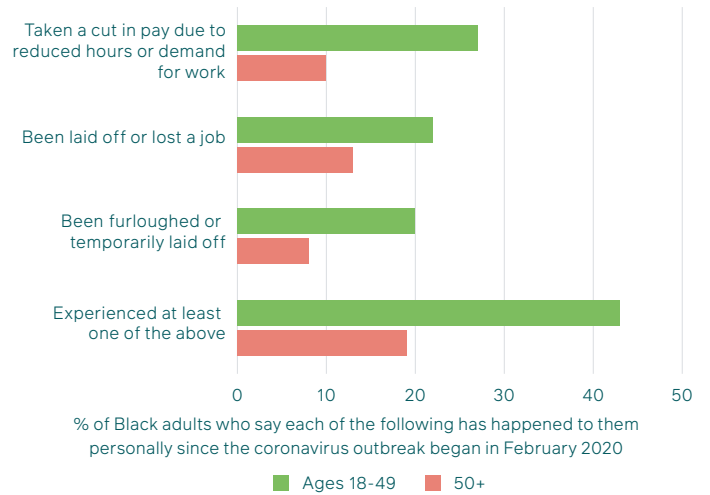
“The world must take action to soften the blow and accelerate social progress.”

Investors can help by focusing on solutions that make a positive difference to society, such as companies that facilitate financial inclusion and connectivity for underserved communities. Investments that make a positive difference to society at the same time as targeting a financial return, could go a long way towards addressing the world’s social challenges – but it is still important to bear in mind that social inclusion should be a combined effort across both public and private sectors. Encouragingly, governments, corporations, investors and NGOs have woken up to the gravity of the issue. The question is, with the end of the pandemic in sight, are they all stepping up to the challenge?

The level of economic life support – such as furlough schemes, mortgage relief, deferment of bills or loan guarantees to businesses – has undoubtedly helped households and businesses through the biggest social and health crisis of our lifetimes, but it is not going to be there for ever. Only time will tell whether removing that life support will have long-lasting repercussions. In the meantime, the world must take action to soften the blow and accelerate social progress. For investors, this means directing private capital towards areas in urgent need of attention – paving the way for delivering on the UN’s social targets at the same time as delivering potential financial returns.

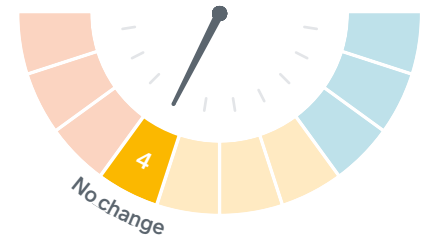


Figure 4 Younger black adults have been more likely to experience lost jobs or wages since the pandemic began



Source: Pew Research Center (Survey of US adults conducted 19-24 January 2021).

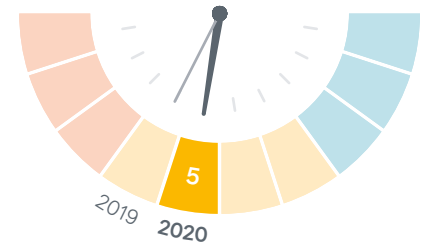
Gender Equality



The potential for majority ownership provides the opportunity for effective, active engagement with investee companies.

The impact of COVID-19 on education, poverty, health and other issues has hit women and girls hardest and continued to reverse progress on this goal, though expectations are that it should pick up as the world recovers from the pandemic. Domestic violence and discrimination has escalated, women have taken on the lion's share of care and childcare, and more women have lost their jobs than men. The [UN's 2021 Sustainable Development Report](#) suggests that the crisis presents an opportunity to reshape laws, policies, systems and institutions to improve and advance gender parity. There are some organisations focused specifically on gender equality progress, such as the Bill & Melinda Gates Foundation, which supports women's leadership, looks to strengthen women and girls' health and family planning and promotes women's economic empowerment. The International Labour Organization (ILO) found that there will be 13 million fewer women in employment in 2021 compared to 2019. Contrastingly, men's employment will have recovered to [2019 levels](#). Projected jobs growth for women in 2021 exceeds that of men, but the ILO points out that it will still be insufficient to bring women back to pre-pandemic employment levels. This is an area where ESG-focused investors can use engagement and influence to push for better standards. A good example of collective action is the 30% Club campaign group, which targets increased diversity at board and senior management levels. From an impact investing standpoint, companies whose business models are actively promoting gender equality can play an important role; there are investable listed examples in areas such as childcare, but overall this tends to be an area where investment opportunities for public market impact investors are still limited. Gender lens investing, which incorporates gender-based factors into investment processes and decision-making, is an emerging area for impact investment. Private market investors can help by providing financing to support economic inclusion and break down barriers that women and other disadvantaged groups encounter. Private equity capital can be utilised to invest in early stage women-founded or women-led businesses, while the potential for majority ownership provides the opportunity for effective, active engagement with investee companies.

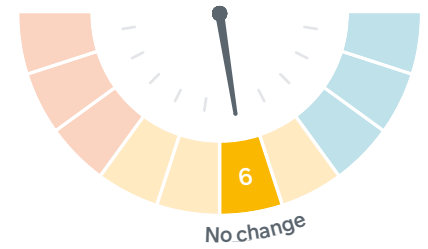
Clean Water and Sanitation



Since 1970, more than US\$400 billion has been spent on clean water, sanitation and hygiene in developing nations.

Access to clean water and sanitation is crucial for health, hygiene and human wellbeing. Everyone should have access to functioning toilets, handwashing facilities, and a safe, stable water supply. There are still many people living without basic hygiene services and clean drinking water. The problem affects education too, with 818 million children lacking basic handwashing services at their school, and one in three schools globally having either limited drinking water service or no drinking water service at all, according to [research](#) from The World Health Organisation (WHO) and UNICEF. Since 1970, more than US\$400 billion has been spent on clean water, sanitation and hygiene in developing nations – increasing access to improved sanitation, basic handwashing facilities and safe water supplies, [the WEF has found](#). Moreover, our analysis – based on [Our World in Data](#) water access figures – indicates that progress has increased since last year, with a progress score of 5/10 – up from our previous 4/10 score. The global population using basic water services – provided that the collection time is not more than 30 minutes for a round trip, including queuing – increased between 2019 and 2020. Nevertheless, governments and the public sector still have much to do. Greater public-private cooperation is important, and impact investors can also step in where public sector budget restrictions limit necessary improvements across water and sanitation services. The [Global Impact Investing Network \(GIIN\) Annual Impact Investor Survey 2020](#) revealed that clean water, sanitation and hygiene is a top sector for planned impact investor increases in allocation, and was also the fastest-growing sector among four-year repeat respondents – so it is clearly rising up the investor agenda. Water infrastructure, water treatment and water efficiency technologies are all areas that impact investors can target – while keeping in mind opportunities across other SDGs that also help support this goal, such as SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action) and SDG 9 (Industry, Innovation and Infrastructure). Private infrastructure investors can provide capital to construct greenfield water treatment projects or build a larger portfolio of brownfield assets, which can then be managed on listed markets as their scale increases.

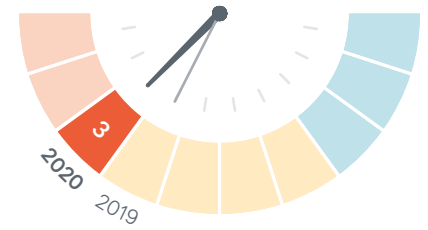
Affordable and Clean Energy



759 million people do not have access to electricity.

The renewable energy drive has formed a large part of governments' 'build back better' plans over the last year, representing accelerating momentum post the 2015 Paris Agreement. It has also been a priority for impact investors, and this has helped accelerate progress towards achieving not only this goal, but also SDG 13, which targets climate action. SDG 7 is not just about sustainable energy, it is also about ensuring access to affordable and safe energy systems. [UN data](#) show one third of the world's population use dangerous and inefficient systems for cooking, and 759 million people do not have access to electricity at all. One positive side effect of the pandemic was the 4% contraction in global energy demand during 2020, but the [International Energy Agency](#) has predicted that it is set to increase by 4.6% in 2021 – offsetting that reduction and pushing demand 0.5% above 2019 levels. We need to cut energy-related greenhouse gas emissions by [around 7% every year](#) to meet the Paris Agreement goals, so huge progress is needed. The positive news is that, in addition to increasing public policy action on clean energy generation, private sector investment continues to rise. More than half of respondents to the 2020 GIIN Survey said they plan to increase their allocations to energy over the next five years. This is encouraging, and progress is even ahead of schedule in some areas, but more is needed to accelerate the transition away from fossil fuels, and the positive wind and solar growth trend remains far from being aligned with the goal to reach net zero by 2050. Guiding capital towards green and sustainable energy generation can take many different forms. Solar and wind power are well-known solutions, but there are other promising sources of electricity generation – including hydropower, wave and tidal power and biomass. There are also opportunities in energy storage and emerging green hydrogen infrastructure. Public equity investors can look for companies that have a direct positive impact in mitigating the effects of climate change through the generation of renewable energy, or by increasing the efficiency of renewable energy being produced. Private assets investors can make a big impact by financing and improving the economics of crucial early stage construction of renewable projects such as offshore wind farms and solar parks.

Decent Work and Economic Growth



There were global employment losses in 2020 of 114 million jobs relative to 2019.

The COVID-19 outbreak has created one of the biggest global shocks in modern economic history. The world effectively shut down last year to protect human health, and the crisis triggered a raft of unparalleled fiscal measures designed to support economies and livelihoods. Unfortunately, the ongoing post-pandemic recovery is likely to be uneven. Despite the [World Bank](#) noting that growth for almost every part of the world has been revised upward for 2021, many countries – particularly emerging markets – continue to struggle against a backdrop of COVID-19 resurgences, vaccination disparity and withdrawal of support measures. Governments have provided emergency economic packages, but the support is inherently short term. The pandemic has had serious repercussions for the working lives of millions of people, exacerbating long-standing trends in the deterioration of job security. Women are suffering more than men when it comes to the impact of the pandemic on jobs and livelihoods. There were global employment losses in 2020 of 114 million jobs relative to 2019, [according to the ILO](#). In relative terms, employment losses were higher for women (5.0%) than for men, and for young workers (8.7%) than for older workers. Investors can do their bit by directing impact capital towards companies that focus on educational attainment and learning – both crucial for decent employment. They can also help address low quality employment and working conditions, investing in companies that aim to make workplaces safer. The majority ownership model of private equity can be particularly useful in effecting change. While there are opportunities to make a positive impact in this area, investors looking to help boost economic growth should also be thinking across the whole SDG spectrum. Achieving many of the UN's objectives, including social inclusion, education, health and wellbeing and circularity would also go a long way towards supporting economic growth.

Spotlight: A Circular Economy

“Designing out” waste



“ A circular economy could result in a 48% reduction of carbon emissions by 2030. ”

Linear economic models have dominated the global economy since the start of the industrial era, extracting and depleting finite natural resources, using raw materials and creating waste. For too long, the world has relied on a throwaway culture – to the detriment of our planet.

It is time to shift to a circular economy, one that is based on the principles of “[designing out](#)” pollution and waste, as described by the Ellen MacArthur Foundation. In a circular economy, waste from production and consumption becomes a resource to be recycled, repaired and reused – offering an alternative to the linear model that we have become so used to. Importantly, a circular, sustainable economy can help the world reach its biodiversity goals at the same time as benefitting society and combatting climate change.

The UN’s SDG 12 calls for Responsible Consumption and Production. Progress has been made in some parts of the global economy, but a lot more is needed. The unsustainable use of natural resources is driving up pollution levels, accelerating climate change and wiping out nature. Take single-use plastic, for example. The UN’s latest [Sustainable Development Goals Report](#) highlights that one million plastic drinking bottles are purchased every minute, and five trillion single-use plastic bags are thrown away each year. Plastic pollution drastically affects wildlife and marine ecosystems, as well as the livelihoods associated with these.

In 2018, [the World Bank warned](#) that global waste would grow by 70% by 2050, unless urgent action is taken. So, what has been done since then to work towards closing the loop and achieving circularity? Firstly, it’s important to understand the meaning of real circularity. Circularity has become a hot topic, but confusion remains over what it really means to ‘close the loop’. While recycling and reusing are important factors, a ‘real’ circular economy goes one step further: by not creating waste in the first place.

More work needed on sustainable production and consumption

In the same way the majority of the world is committed to getting to net zero, how do we become 100% circular? There is an encouraging level of regulatory and policy energy around driving circularity. Despite many countries putting circular economy action plans in place, we are still a long way from full circularity. The level of change required across both the public and private sector spectrum to drive up levels of responsible and sustainable consumption worldwide is not insignificant. This is where investors can step in. Investing in businesses that are making measurable progress towards more circular processes can offer the prospect of more sustainable long-term returns.

“Excessive waste is both economically inefficient and ecologically damaging.”

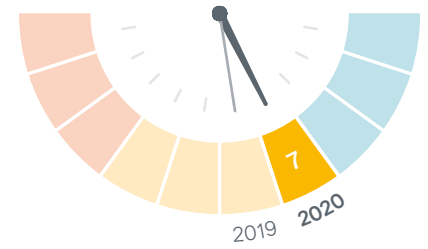
We know that excessive waste is both economically inefficient and ecologically damaging. We need to design a more circular and less wasteful economic and industrial system. There are some sectors and companies that are already making significant strides towards a closed-loop process. For example, there are a number of recycler and waste management companies that aim to provide truly sustainable packaging solutions, while protecting the environment. Similarly, there are businesses that create positive impact through sustainable supply chain and logistics practices.

For both private and public equity investors, companies that align a compelling strategy with demand trends should be well-positioned to deliver long-term growth. For debt investors, measures that a company is taking to reduce risk are usually ‘credit positive’, given that they may be expected to improve the long-term resilience of the business, and therefore its ability to repay debts – including longer-term commitments.

Companies that embrace the circular economy should be better placed to make the most of long-term trends and deliver competitive returns for investors. Furthermore, they have the potential to generate a material positive impact for the global environment.



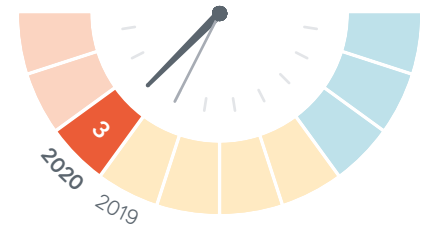
Industry, Innovation and Infrastructure



As societies grow and develop, so does the requirement for new and better infrastructure.

When the world ground to a halt in March 2020, there were serious repercussions for industry, trade and manufacturing. At the same time, there are still huge gaps in (sustainable) infrastructure, particularly in developing parts of the world. But, overall, our analysis shows that progress has improved since last year. Infrastructure forms the foundations of our economies and, as societies grow and develop, so does the requirement for new and better infrastructure. Areas in need of investment include energy, communications, waste management and transport. This goal is key to economic growth and employment. Significant positive developments over the last 12 months include US President Joe Biden's US\$1.2 trillion infrastructure bill – incorporating plans to repair, improve and innovate US infrastructure, while sustainable infrastructure and smart mobility play a central role in the European Green Deal's objective to transform the EU into a fair and sustainable society. Public market investors can seek out innovative companies that offer products and services that boost connectivity, social inclusion and access to health services, for example. Infrastructure is also an excellent impact asset class for private debt and equity investors – financing infrastructure projects that meet the needs of growing populations and mass urbanisation at the same time as transforming transportation and energy generation to a low carbon economy. There are 'greenfield' infrastructure equity opportunities, such as the construction of new, innovative solutions and projects and the expansion and development of existing infrastructure, as well as 'brownfield' investments in existing, operational assets. Pension funds and other institutional investors have been drawn to the yield and long-term qualities of infrastructure assets in their portfolios for a long time now, and we believe they are well-positioned to make the most of opportunities that also have the potential to make a positive difference to society and the environment.

Reduced Inequalities



The number of people who had become refugees or fled their countries due to persecution, conflict, human rights violations and war had grown to 24 million by mid-2020.

COVID-19 has dealt a significant blow to years of progress on fighting back against global inequalities. IFS data show median household net income was rising steadily prior to the pandemic, with growth of 3% in real terms over two years from 2017–18 to 2019–20. Absolute income poverty has slowly declined from 22% prior to the Great Recession to 18% in 2019-20. However, the pandemic has had a detrimental effect. Households that were already in relative income poverty saw the biggest rises in deprivation at the start of the crisis. The UK's Social Mobility Commission revealed this year that most people believe inequality has increased due to the pandemic, with six in 10 believing the crisis has widened the gulf between socio-economic groups. Moreover, the number of people who had become refugees or fled their countries due to persecution, conflict, human rights violations and war had grown to 24 million by mid-2020, according to the UN – and this is likely to be higher given recent geopolitical events. This was the highest absolute number on record. Elsewhere, while more women than men are finding it difficult to get back into work after the pandemic, a similar picture can be seen across the young black adult demographic – with 22% between the ages of 18 and 49 having been laid off since the pandemic began. Systemic racism and discrimination worldwide has prevented many people from obtaining secure jobs and opportunities, meaning that the pandemic has hit them hardest. Meanwhile, the concentration of wealth in the hands of a tiny minority has notoriously consolidated even further over the past year. Improving social, racial, gender, disability and income equality is a universal responsibility. Investors can play a major role in advocating for improved policies and practices at investee companies, building on the progress achieved in the arena of gender equity by the likes of the 30% Club, and helping to improve racial equality through initiatives that improve access to better jobs, such as the 10,000 Black Interns initiative, which has been designed to help transform the prospects of young black people in the UK. Impact investors – especially in private markets – can also channel investment into solution-providers and companies that aim to address existing inequalities and prevent the gap from widening. Directing capital to businesses improving 'access' to financial or other economic services to underserved individuals or groups can play a crucial role in providing critical tools to improve life prospects.

Sustainable Cities and Communities

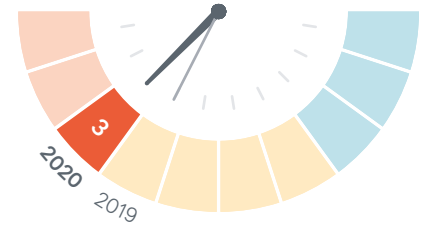


In Eastern and South Eastern Asia, 370 million people live in slums, while in sub-Saharan Africa there are 238 million.

SDG 11 targets more sustainable centres of human population. From constructing and retrofitting energy efficient buildings, to designing and building safe and resilient public transport facilities, services and centres of innovation, sustainable cities and communities should be a priority worldwide. The UN has [called for greater attention](#) to the plight of people who live in informal settlements and substandard, unsafe housing. These are people whose needs are not being taken into account in policymaking, financing and urban planning. In Eastern and South Eastern Asia, [370 million people live in slums](#), while in sub-Saharan Africa there are [238 million](#). There is clearly a lot of political energy required to advance on this goal and ensure durable, permanent and adequate housing for all. On the environmental side, cities are huge contributors to pollution and climate change, yet they could also be part of the solution. A [recent *Frontiers in Sustainable Cities* study](#) showed that the top 25 of 167 sample cities in the survey accounted for 52% of the total greenhouse gas emissions, mainly from Asian countries. There were marked reductions in air pollution during lockdowns, as life ground to a halt. Satellite images, for instance, showed significantly reduced levels of nitrogen dioxide in cities from New York to Beijing. Obviously, lockdowns are not a long-term solution – but the results are telling. There has been some mild improvement over the last year, but pollution levels in some parts of the world, such as China, are still close to unhealthy levels. This goal, like many other SDGs, is strongly linked to Climate Action (SDG 13) and Industry, Innovation and Infrastructure (SDG 9). We believe companies that are creating safe and sustainable manufacturing products and sustainable infrastructure should be a focus for investors. Private investors can partner with local government and city planners to provide capital for services that are aiding the decarbonisation of transport – such as electric vehicle charging infrastructure and clean buses and trains, as well as facilitating the development of energy storage and grid enhancements. While private capital can help provide solutions, it is crucial that governments also factor this goal into policy decisions and planning to support societies and the environment.

*Restated 2019 score (see page 8).

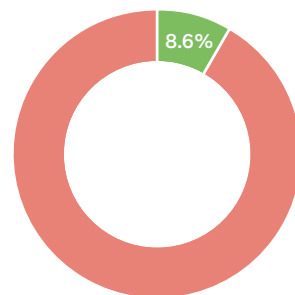
Responsible Consumption and Production



20 polymer producers accounted for more than 50% of all single-use plastic waste generated globally.

Developing a circular economy is the key to achieving this goal, but further progress is much needed and the situation has deteriorated over the last year. According to the Circle Economy’s [Circularity Gap Report](#), the share of cycled materials as part of the total materials input into the global economy every year, has decreased from 9.1% to 8.6%. Circularity should be an elemental part of COVID-19 recovery plans to build a stronger, sustainable society and economy. The [Ellen MacArthur Foundation](#) has identified a number of attractive circular investment opportunities across key sectors of the built environment, plastic packaging, food, fashion and mobility. These opportunities include the renovation and retrofitting of buildings, the reuse and recycling of building materials and infrastructure, innovative business models to cut plastic waste and redesign packaging, and tools that enable farmers to move to regenerative agricultural production. The foundation urges policymakers to pave the way by addressing the “global systemic risks of our current linear economies”. As the availability of natural resources dwindles, and consumer demand rises, it is imperative that the world moves quickly to not only find ways to recycle existing waste, but to design waste out of processes or minimise waste materials as much as possible. The Minderoo Foundation’s Plastic Waste Makers Index revealed this year that just 20 polymer producers accounted for more than 50% of all single-use plastic waste generated globally. But what can active impact investors do? There are plenty of established businesses investors can support, such as waste water management, recycling services and sustainable packaging and logistics businesses, all working hard to tackle the increasing accumulation of waste that society is producing. Energy efficiency, energy storage and grid enhancements can all tackle excess consumption and reduce energy and resource use across product lifecycles. And if waste is the problem, impact investors can finance innovative solutions, whether they are cutting-edge recycling processes, new developments in alternative biopolymers or advances in recycling infrastructure.

Figure 6 Massive circularity gap remains



According to the Circle Economy, only 8.6% of the global economy is circular – leaving a huge circularity gap. The Circle Economy warns that the outlook is “grim”, highlighting that just a few years ago, that number was 9.1%.

Source: Circle Economy.

Spotlight: Biodiversity

Protect nature to protect society



“ Humans have eliminated 50% of all plants and 83% of wild mammals. ”

Momentum is building for tackling biodiversity loss, but global efforts still lag behind climate action. Nature, climate and human welfare are inextricably linked. By protecting the planet, we are also safeguarding society. There is no denying that we are facing a climate crisis, but the extent of the nature loss emergency is just as perturbing. Indeed, these two systemic crises are self-reinforcing, each exacerbating the other in a damaging cycle. The destruction and degradation of important carbon sequestering habitats, such as rainforests, peatlands and wetlands, pose a serious risk to international net zero ambitions. The risks to these natural ecosystems are in turn being exacerbated by global warming and extreme weather. Both crises – climate and nature – pose a huge risk to human health and prosperity.

It is possible that biodiversity loss could have contributed to the pandemic, as encroaching on natural habitats brings humans and livestock into contact with pathogens. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has [found](#) that pandemic risk can be significantly reduced by decreasing the human activities that drive the loss of biodiversity. The UN has warned that biodiversity loss jeopardises progress towards the SDGs – stressing the significance of the relationship between human beings and nature. Humans have eliminated 50% of all plants and 83% of wild mammals, as well as severely altering two-thirds of marine environments, according to [WEF research](#). Alarmingly, one million species are at risk of extinction over the next few decades.

The Paulson Institute's [Financing Nature report](#) calls on governments, economic systems and financial markets to do more to properly account for the services nature provides. The private sector can act to protect and restore nature, it argues, by disclosing nature-related risks and making biodiversity a part of decision-making processes. While there are signs of progress, it is still early days.

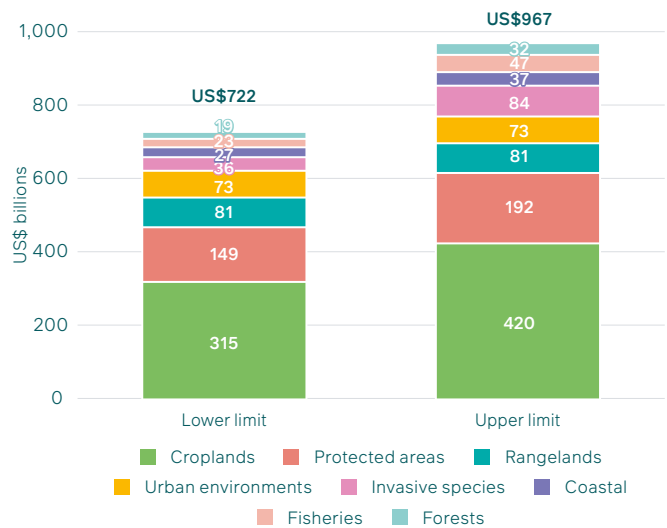
The recently launched [Taskforce on Nature-related Financial Disclosures](#) (TNFD) plans to deliver a framework for organisations to report and act on nature-related risks, with a view to supporting a shift in global financial flows towards “nature-positive outcomes”. It comes six years after the creation of the Taskforce on Climate-Related Financial Disclosures – with the TCFD’s recommendations soon to become mandatory for UK pension funds. The identification, assessment and management of climate risk is now seen as equally important as managing other financial factors, such as profitability, credit risks and interest rates. It will be interesting to see whether similar rules will eventually apply regarding the TNFD.

Biodiversity loss is a complex challenge. Unlike climate change and the widely adopted net zero target for carbon neutrality, there is no obvious single factor for world leaders, companies and organisations to target. As a result, the need to combat nature loss has rarely made it on to boardroom agendas. However, there is clearly a desire to change this. In June 2021, G7 leaders [agreed commitments](#) to halt and reverse biodiversity loss by 2030, as well as tackling marine pollution, the illegal wildlife trade and deforestation. Moreover, the EU’s biodiversity strategy aims to put Europe’s biodiversity on a “path to recovery” by 2030, containing specific commitments and actions. The UN’s Convention on Biological Diversity launched its strategic 2011-2020 biodiversity plan a decade ago, but the world has [failed to fully achieve](#) any of the plan’s ambitious goals. Target-setting is key, but there is a delicate balance to strike between commitment and realism. We need to take an iterative approach to setting stretching but achievable short-term targets that build up over time to the heightened ambition required. This is something policymakers should bear in mind when considering next steps at the UN Biodiversity Conference, where governments are due to agree a new set of goals over the next 10 years through the Convention on Biological Diversity’s post-2020 framework process.

Another driver of progress on biodiversity conservation has been the increase in public concern for nature – partly due to popular culture and education. The UK’s BBC Blue Planet II documentary, for example, attracted more than 14 million viewers in the UK for its first episode – with the programme sparking a single-use plastic backlash. There has also been a spate of widely publicised rewilding projects, initiatives and organisations

worldwide, which aim to reintroduce keystone species and restore habitats, or boost and stabilise populations of struggling species. Examples include [Rewilding Europe](#) and [Wilderness Foundation Africa](#).

Figure 7 More investment required to meet biodiversity funding needs



Source: Paulson Institute (Closing the Global Biodiversity Financing Gap).

While public awareness is rising and world leaders are working together to galvanise global cooperation on biodiversity, investors and asset managers can help advance the agenda through impact investing. By 2050, the total investment needs of nature will amount to US\$8.1 trillion, the 2020 UN Environment Programme’s [State of Finance for Nature](#) report argues. It found that by 2030, investments in nature-based solutions will need to at least triple in real terms if the world is to meet its biodiversity, climate change and land degradation goals. Between 2012 and 2016, financial flows into global biodiversity conservation nearly tripled to between US\$124 and US\$143 billion. However, the same report found spending on agricultural, forestry, and fisheries subsidies that damage nature is at least two to four times greater. Biodiversity still remains a relatively niche area in finance and investment. As a FTSE Russell [article](#) notes, a “clearer consensus on how to measure investment outcomes, for instance through a set of common indicators” is needed for biodiversity to become a natural part of the sustainable investment ecosystem. This is something that M&G Investments and other investors are working on through the GIIN’s Navigating Impact Project.

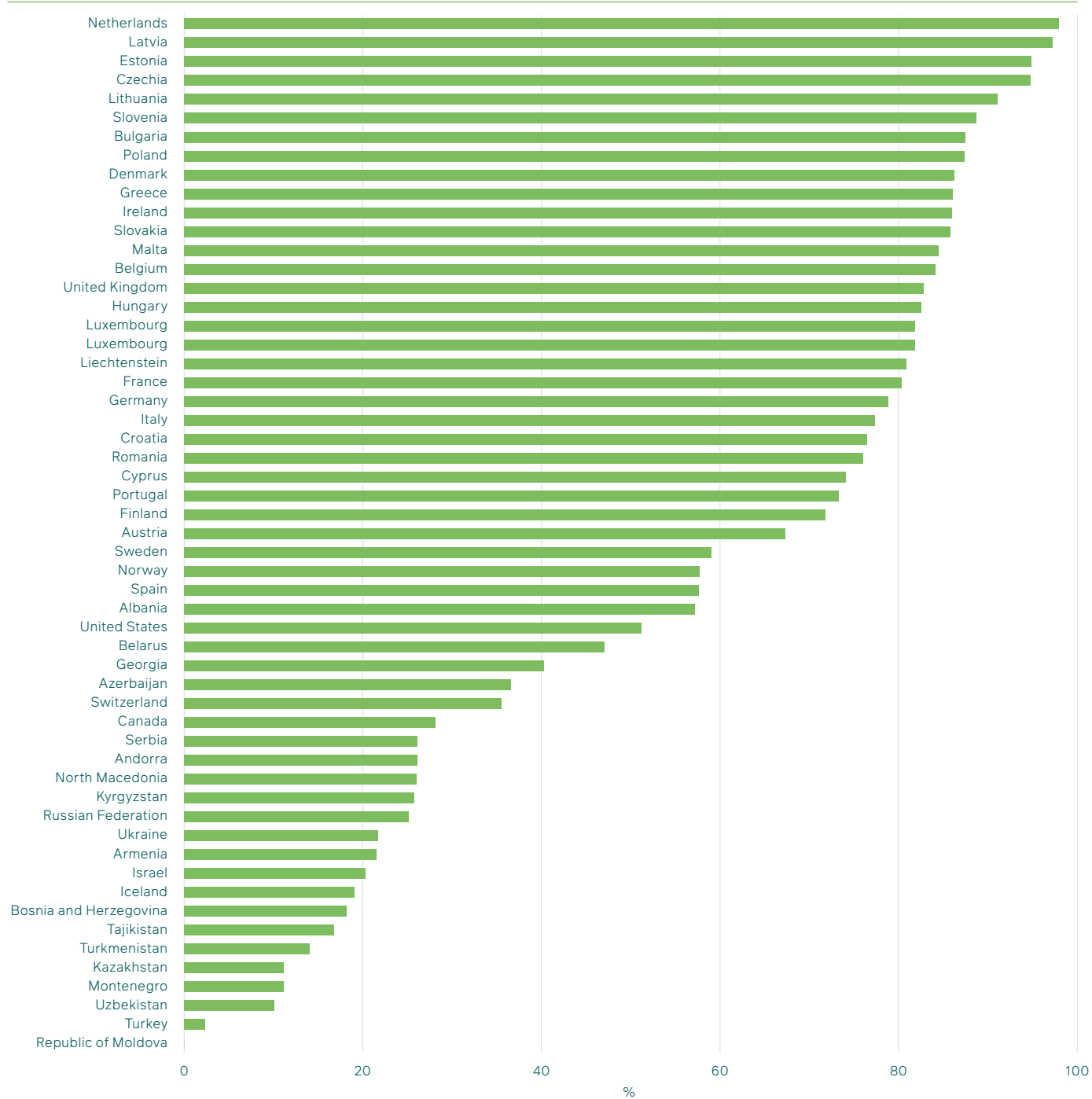
It is possible to directly invest in businesses that support natural ecosystems by limiting the use of virgin materials, preventing pollution or recycling waste that would otherwise end up in the natural environment. However, in addition to active opportunities, it is important to consider the negative aspects of investments. A company might be engaged in positively impactful activities, but the same company may also cause biodiversity damage along the way. This is why due diligence is of paramount importance. For example, operating offshore wind farms produce low-carbon, 'green' energy, but they can also affect bird and marine life if not properly integrated at the design stage. Similarly, hydropower operations can interfere with freshwater ecosystems due to the impact of dams on natural river flow. Not every company currently has the tools to monitor biodiversity perfectly, so impact investors must look for businesses that take nature seriously and are willing not only to disclose but also to improve their biodiversity footprint.



“By 2050, the total investment needs of nature will amount to US\$8.1 trillion.”

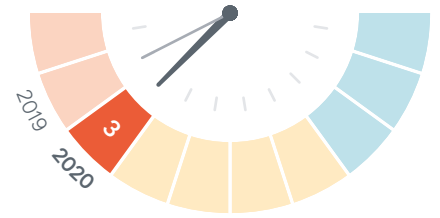
Within the UN's SDGs, Life Below Water (SDG 14) and Life on Land (SDG 15) relate directly to tackling biodiversity loss. It is important to also remember that both goals are connected to several others – including climate action, decent work and economic growth, zero hunger, responsible consumption and production, climate action, good health and wellbeing, and poverty reduction. The world is waking up to the [economics of biodiversity](#), as covered in the UK Dasgupta Review, and the grim consequences facing us in the future if we fail to act, but there is still so much left to do. It is crucial that governments and NGOs maintain this sense of urgency, at the same time as taking a pragmatic and realistic approach to target-setting. This is easier said than done, but it is possible.

Figure 8 Average proportion of Terrestrial Key Biodiversity Areas (KBAs) covered by protected areas, %



Source: United Nations Global SDG Database.

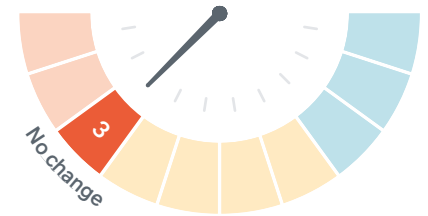
Climate Action



Over the next two decades, the global temperature is expected to reach or exceed 1.5°C of warming.

Over the last few years, the world has experienced a series of extreme and unprecedented weather events, including record heatwaves, deadly floods and devastating wildfires. We have now reached scientific and political consensus that climate change, driven largely by human activity over the last century, is to blame. In August, the IPCC [provided the world with a stark “reality check”](#), warning that unless there are immediate and large-scale reductions in greenhouse gas emissions, limiting global warming to close to 1.5 °C or even 2°C will not be possible. Over the next two decades, the global temperature is expected to reach or exceed 1.5°C of warming. We are living through a climate emergency – with dire consequences for people and the planet, but what is being done to change that? There have been some encouraging advancements in the last year towards addressing the problem, and we think progress has increased slightly – though the world is still behind schedule. To a large extent, this goal is policy-oriented and depends on government action worldwide. Crucially, China announced that it would incorporate climate policy into its national plan, and under new US president Joe Biden, the US has officially re-joined the Paris Agreement. These are important developments: the world’s two largest economies and carbon emitters have now changed their stance on climate policy – making it more difficult for smaller countries not to follow suit. Meanwhile, companies and investors have set their own ambitious net zero commitments. Many investments in companies and projects that focus on reaching other SDG targets, such as renewable energy generation, green buildings, sustainable agriculture and circularity, are also making a positive impact on our climate. Public equity investors, as minority owners of companies, are in a strong position to drive change through voting and engagement, as well as via collective action. And we believe private equity investors are in a good position to invest in innovative, sustainable food systems, develop operating renewable power or newer technology solutions and, often as majority owners, can pursue positive change in business management across all investments. Crucially, a focus on building climate resilience is key. This involves recognising that climate change is happening, and the world must adapt to the reality of increasingly extreme weather at the same time as urgently reducing emissions to limit its impact as much as possible.

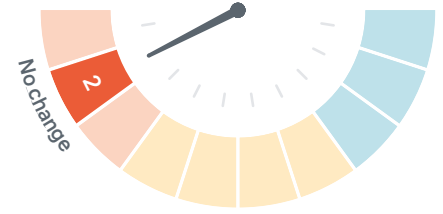
Life Below Water



Only 2.7% of oceans are fully or highly protected from fishing impacts.

Seventy per cent of the Earth's surface is made up of the ocean. However, only 2.7% of oceans are fully or highly protected from fishing impacts, according to the Marine Conservation Institute. Our analysis, based on the [Ocean Health Index](#), shows that progress has stalled, and this SDG is well behind schedule. Just as human activity is damaging the climate, it is destroying marine ecosystems and driving many species towards extinction. Decades of overfishing and the use of harmful and large-scale fishing methods like bottom trawling, where big, weighted nets are dragged across the sea floor, have had a pernicious effect on the world's oceans. Billions of people rely on the sea to make a living, and – according to the UN, [80% of world merchandise trade is carried out by sea](#). The oceans absorb around 30% of the carbon dioxide released into the atmosphere, but rising carbon emissions have also led to [significant spikes in ocean acidity](#) – harming fish, shellfish and seaweeds. Progress towards addressing these issues includes the UK-led Global Ocean Alliance, which aims to protect at least 30% of the global ocean in Marine Protected Areas and Other Effective area-based Conservation Measures by 2030. So far, [59 countries have signed up](#). The UN stresses that safeguarding key biodiversity areas is crucial to the sustainability of oceans. It has also reported on the harmful impact of agricultural run-off and other pollutants, the number of “dead zones” in coastal waters and the need to implement international instruments for the conservation and sustainable use of oceans. From a sustainable and impact investment perspective, investors can seek companies that support marine ecosystems. For example, through investments that support sustainable fishing and aquaculture or those that prevent ocean pollution – whether that is from industrial, agricultural or municipal waste. Financing the protection of wetlands, coastal mangroves and seagrass meadows, via mechanisms such as ‘blue bonds’ can help sequester more carbon per unit area than terrestrial forests. They also protect coastal communities from floods and storms. However, achieving these goals requires significant collaborative work, as well as legal and regulatory action to increase the number of protected zones and limit or prevent damage to marine and coastal ecosystems.

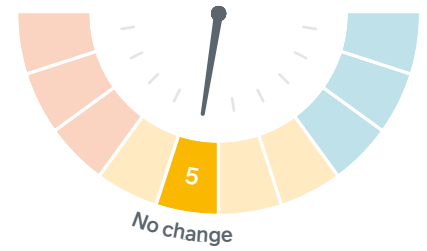
Life on Land



US\$133 billion currently flows into nature-based solutions each year, of which public funds represent 86% of total investment flows.

Nature loss contributes to climate change, endangers human health and affects livelihoods. It also has the power to cause massive economic disruption. The WWF's [2020 Living Planet Report](#) found that if the world fails to act to protect our natural assets, the impact on the key services provided by biodiversity will cost US\$10 trillion cumulatively by 2050. The decline in biodiversity as measured by the WWF's Global Living Planet Index has worsened from 60% in the WWF's 2018 report, which covers the period 1970 to 2014, to 68% in its 2020 report, which covers 1970 to 2016. According to the UN Environment Programme's [State of Finance for Nature report](#), US\$133 billion currently flows into nature-based solutions each year, of which public funds represent 86% of total investment flows. Private finance only accounts for 14% of total flows. Positive advancements include the G7 Nature Compact agreement, which commits world leaders to increase investment in nature from all sources, and to make sure nature is accounted for in economic and financial decision-making. Nature should be viewed as an asset – something that we rely on to regulate our climate, produce oxygen and provide us with food and water, the UK government's [Dasgupta Review](#) argues. The 2021 launch of the TNFD represents a promising step towards standardising nature-related disclosures and supporting a seismic shift in financial flows towards “nature-positive outcomes”. The TNFD notes that financial institutions and companies need more data on biodiversity to help integrate nature-related risks in their decision-making – so this should be a key focus over the next few years, as better metrics and methodologies will boost private sector investment into this area. Considering any unintended consequences from these intentionally positive actions is crucial; these decisions must be guided by the human implications of the investments, for example on indigenous communities. As with SDG 14, investing to preserve and protect life on land can take several different forms. Impact investors could focus on opportunities across sustainable agriculture and sustainable forestry, for example. The UN-backed PRI [recommends](#) that institutional investors allocate capital to business models or sectors which are avoiding and reducing nature loss and boosting opportunities for positive outcomes on the ground, including restoration. It also suggests setting targets for managing biodiversity, and emphasises the importance of stewardship and engagement in tackling nature-related risks.

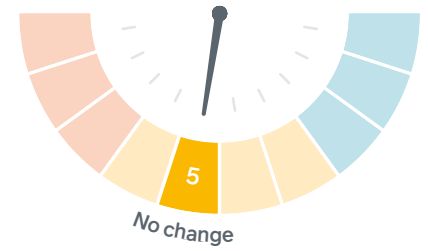
Peace, Justice and Strong Institutions



More than 82 million people had been forcibly displaced as a result of persecution, violence or conflict at the end of 2020.

This goal is broad, complex, and multifaceted and addresses priorities such as global governance, the rule of law and institutional capacity building. It is also largely policy-focused, making it harder to scrutinise from an impact investing point of view. Ensuring peaceful and inclusive societies, as well as providing access to justice for all is a huge task and a universal responsibility. Sadly, the UN says that the world is still a long way from achieving this goal. More than 82 million people had been forcibly displaced as a result of persecution, violence or conflict at the end of 2020, according to UN data – which also shows that the pandemic has weakened and even shattered some countries' systems of rights and protection. The Transparency International Corruption Perceptions Index 2020, which scores 180 countries and territories by their perceived levels of public sector corruption, according to businesspeople and experts, shows that more than two thirds of the countries assessed scored below 50/100, and the average country score is 43/100. The research also found that corruption is more prevalent in regions that are least equipped to deal with the COVID-19 pandemic. Globally, the UN has called attention to corruption and bribery, killings of human rights defenders, and child exploitation. The work of human rights institutions and NGOs is critical here. The UN has also emphasised how valuable human rights organisations have been during the pandemic in terms of examining and monitoring impacts on health and other areas. In many parts of the world, human rights laws need to be strengthened and both the public and private sectors need to work together to stamp out inequalities. Investors can play a role in a number of ways: by incorporating transnational principles such as those of the UN Global Compact into their investment processes to address egregious practices such as human rights abuses and labour rights failures; and by holding investee companies to account on their progress towards the objectives of this Goal, via actively tackling and engaging on issues such as corruption and child labour.

Partnerships for the Goals



Landmark events such as the COP26 climate talks are a crucial test of how effectively these partnerships are functioning.

All of the goals we have covered so far are central to sustainable development, but without robust, international collaborative action and joint work across the public and private sectors, progress will stall. Increasingly, governments, corporations, NGOs and investors are working together to make the world a better place, but we still need to redouble our efforts to meet the UN's 2030 deadline – particularly in the wake of the COVID-19 pandemic. Whether this means more organisations focused on breaking down barriers to women's empowerment, policy measures for job creation or greater private investment in sustainable infrastructure – there are myriad ways in which different sectors, industries and governing bodies can make a difference. While many areas fall under governments' remit – or would benefit from greater attention from NGOs, international agencies and other organisations – resources and funding are often highly constrained. To achieve economic growth, environmental protection, circularity and equality, a seismic shift is needed across systems and societies. The public and charitable sectors cannot do this alone. Private capital can help accelerate this transition to a more sustainable society, filling in gaps where public sector resources are insufficient or are being prioritised elsewhere. The UN calls for inclusive partnerships at global, national, regional and local levels, built upon a shared vision and shared goals. Landmark events such as the COP26 climate talks are a crucial test of how effectively these partnerships are functioning. Impact investing provides an opportunity for collaboration and partnership across the societal spectrum – bringing investors together with actors in the public, policy and corporate spheres to identify and prioritise the world's most pressing challenges and to ensure sufficient funding is being channelled into their solutions. Impact investors can further contribute to the global agenda for sustainable development – and support the standards and practices that will act as its guardrails – by aligning their investments with these 17 goals and their 169 underlying targets when assessing, measuring and reporting on impact.

*Restated 2019 score (see page 8).

SDG Scorecard

SDG Description	SDG Number	Metric	Metric 2019	Metric 2020	2019 Score	2020 Score	YOY Change
No Poverty	SDG 1	Poverty headcount ratio at US\$1.90 a day	8.40%	9.1% (Estimated)	4	3	-1
Zero Hunger	SDG 2	Prevalence of stunting in children under the age of 5	23%	22%	4	4	0
Good Health and Well-being	SDG 3	Countries and territories certified Malaria free	37	39	4	4	0
Quality Education	SDG 4	Literacy rate	86%	86%	4	4	0
Gender Equality	SDG 5	Ratio of female to male participation rate	63%	63%	4	4	0
Clean Water and Sanitation	SDG 6	Population using at least basic water services	73.7%	74.3%	4	5	1
Affordable and Clean energy	SDG 7	Share of renewables in electricity production	26.2%	28.0%	6	6	0
Decent Work and Economic Growth	SDG 8	Share of young people who are not in employment, education or training	22.2%	22.3%	4	3	-1
Industry, Innovation and Infrastructure	SDG 9	Access to the internet	57.4%	60.1%	6	7	1
Reduced Inequalities	SDG 10	Distribution of wealth	43.4%	45.8%	4	3	-1
Sustainable Cities and Communities	SDG 11	Annual concentration of particle matter of less than 2 microns in diameter in China 0-12 good 12-35 moderate 35-55 unhealthy for sensitive groups 55-155 unhealthy	39.1	34.7	5	6	1
Responsible Consumption and Production	SDG 12	Circularity gap	9.10%	8.60%	4	3	-1
Climate Action	SDG 13	Annual contribution towards mobilizing at least US\$100 billion per year by 2020, including the Green Climate Fund	US\$61.6bn	US\$66bn	2	3	1
Life Below Water	SDG 14	Ocean Health Index	72.1	71.8	3	3	0
Life On Land	SDG 15	Percentage protection of sites important to biodiversity	16.5%	16.7%	2	2	0
Peace, Justice and Strong Institutions	SDG 16	Global Corruption Perception Index Average Country Score	43/100	43/100	5	5	0
Partnerships for the Goals	SDG 17	The amount of official development assistance (ODA) as a share of gross national income (GNI) for DAC (Development Assistance Committee) Countries	0.30	0.32	5	5	0

*See page 42 for metric detail and sources.

Final word



Ben Constable-Maxwell
Head of Impact Investing

There are now only nine years to go until the UN's 2030 deadline for achieving the SDGs and their underlying targets, yet our analysis shows that the world is still behind schedule on delivering the 17 social, economic and environmental goals, with an average score of 4.1 out of 10, based on our methodology.

Some goals, such as SDG 3 (Good Health and Wellbeing) and SDG 4 (Quality Education), have benefited from a trend of long-term advancement, but have suffered significant short-term setbacks due to the COVID-19 pandemic. The world is making good progress on only three goals – SDG 6 (Clean Water and Sanitation), SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities), though there is still plenty of room for improvement.

It is clear that governments, NGOs, businesses, investors and citizens all need to step up and do more to achieve a circular economy, improve social inclusion and protect biodiversity – issues that are interlinked with so many of the UN's SDGs and whose resolution would go a long way towards ensuring a fair, resilient and sustainable society.

Sustainable investing has a fundamental role to play in channelling investment towards 'high societal benefit' companies. Going one step further, impact investing can lead the way by financing early stage or less developed solutions to the world's major challenges and by precipitating improvements in measurement and accounting for non-financial outcomes. We need to ramp up the pressure, both on companies to report their real-world impacts and on investors to adopt impact-oriented approaches. Initiatives such as the Impact Management Project and the Global Impact Investing Network are already playing a major role in this regard.

Some goals are better suited to impact investing than others, and there are areas that are more policy-oriented or require specific public sector action. But there is still so much that sustainable and impact investors can do to support sustainable development at the same time as targeting a financial return. Whether this involves public equity investment in listed companies, or directing capital towards private assets and earlier stage opportunities, investors can make a huge difference by focusing on businesses and projects that have the explicit aim of addressing global societal and environmental needs.

To be clear, achieving the SDGs is a collective responsibility for a more inclusive society; one that respects nature and thrives off a circular, regenerative economy. An immense amount of collaborative action and cooperation is required. It is daunting, but it is not impossible. In terms of timing, however, there is little margin for error. We must act now. ▣



Metric detail and sources

SDG description	SDG number	Metric detail	Metric source
No Poverty	SDG 1	% of population living on <US\$1.90 a day.	World Bank Group – Poverty and Shared Prosperity 2020, Reversals of Fortune Report
Zero Hunger	SDG 2	The percentage of children up to the age of 5 years that are stunted, measured as the percentage that fall below minus two standard deviations from the median height for their age, according to the WHO Child Growth Standards.	Levels and trends in malnutrition, UNICEF, World Health Organisation (WHO), World Bank Group – Key findings of the 2021 edition
Good Health and Well-being	SDG 3	Number of countries and territories certified Malaria free by WHO. Must have achieved 3 consecutive years of 0 indigenous cases to be eligible. Excludes countries where Malaria never existed or disappeared without specific measures.	WHO Global Malaria Programme (GMP) Global Malaria Programme (who.int)
Quality Education	SDG 4	The percentage of youths, aged 15 to 24, who can both read and write a short simple statement on everyday life with understanding.	The World Bank, Literacy rate, adult total (% of people ages 15 and above)
Gender Equality	SDG 5	Modelled estimate of the proportion of the female population aged 15 years and older that is economically active, divided by the same proportion for men.	Labor force participation rate, male (% of male population ages 15+) (modelled ILO estimate) Data (worldbank.org) Labor force participation rate, female (% of female population ages 15+) (modelled ILO estimate) Data (worldbank.org) COVID-19 and the world of work (COVID-19 and the world of work) (ilo.org)
Clean Water and Sanitation	SDG 6	The percentage of the population using at least a basic drinking water service, such as drinking water from an improved source, provided that the collection time is not more than 30 minutes for a round trip, including queuing.	Clean Water – Our World in Data
Affordable and Clean Energy	SDG 7	% share of renewable energy including wind, solar and hydropower within the global power generation mix.	Enerdata, global energy trends, 2021 renewables in electricity production.
Decent Work and Economic Growth	SDG 8	This indicator presents the share of young people who are not in employment, education or training (NEET), as a percentage of the total number of young people in the corresponding age group, by gender. Young people in education include those attending part-time or full-time education, but exclude those in non-formal education and in educational activities of very short duration. Employment is defined according to the OECD/ILO Guidelines and covers all those who have been in paid work for at least one hour in the reference week of the survey or were temporarily absent from such work.	COVID-19 Pandemic in the World of Work: ILO Monitor: COVID-19 and the world of work. 7th edition Labor force participation rate, male (% of male population ages 15+) (modeled ILO estimate) Data (worldbank.org) Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate) Data (worldbank.org)
Industry, Innovation and Infrastructure	SDG 9	The percentage of the population who used the Internet from any location in the last three months. Access could be via a fixed or mobile network.	Digital 2021 April Statshot Report — DataReportal – Global Digital Insights)
Reduced Inequalities	SDG 10	% of wealth total wealth controlled by adults with more than US\$1 million wealth.	Global Wealth Report, Credit Suisse, 2020, 2021.

SDG description	SDG number	Metric detail	Metric source
Sustainable Cities and Communities	SDG 11	Air pollution measured as the population-weighted mean annual concentration of PM2.5 for the urban population in a country. PM2.5 is suspended particles measuring less than 2.5 microns in aerodynamic diameter, which are capable of penetrating deep into the respiratory tract and can cause severe health damage.	2020 World Air Quality Report
Responsible Consumption and Production	SDG 12	Share of cycled materials as part of the total materials input into the global economy every year.	Circularity Gap Report 2021 – Insights – Circle Economy (circle-economy.com)
Climate action	SDG 13	Climate finance committed by major multilateral development banks (MDBs), contributing towards the US\$100 billion commitment by 2020.	2020 Joint Report on Multilateral Development Banks' Climate Finance – World ReliefWeb
Life Below Water	SDG 14	The clean waters subgoal of the Ocean Health Index measures to what degree marine waters under national jurisdictions have been contaminated by chemicals, excessive nutrients (eutrophication), human pathogens, and rubbish.	The Ocean Health Index
Life On Land	SDG 15	% conservation of terrestrial and inland water (Aichi target 11, 17% in 2020).	Protected Planet Report 2020
Peace, Justice and Strong Institutions	SDG 16	The CPI scores 180 countries and territories by their perceived levels of public sector corruption, according to experts and businesspeople. A score of 100 is very “clean”, while a score of 0 means that a country is very corrupt.	The Transparency International Corruption Perceptions Index, 2020 and 2019.
Partnerships for the Goals	SDG 17	Official development assistance (ODA) is defined as government aid designed to promote the economic development and welfare of developing countries.	Official development assistance (ODA) – Net ODA – OECD Data)

We would like to thank Véronique Chaplow for her contribution to this report and the SDG Reckoning methodology.



For Investment Professionals, Institutional Investors and Professional Investors only. Not for onward distribution. No other persons should rely on any information contained within. This information is not an offer or solicitation of an offer for the purchase of shares in any of M&G's funds. Distribution of this document in or from Switzerland is not permissible with the exception of the distribution to Qualified Investors according to the Swiss Collective Investment Schemes Act, the Swiss Collective Investment Schemes Ordinance and the respective Circular issued by the Swiss supervisory authority ("Qualified Investors"). Supplied for the use by the initial recipient (provided it is a Qualified Investor) only. In Hong Kong, this financial promotion is issued by M&G Investments (Hong Kong) Limited, Office: Unit 1002, LHT Tower, 31 Queen's Road Central, Hong Kong; in Singapore, by M&G Investments (Singapore) Pte. Ltd. (Co. Reg. No. 201131425R), regulated by the Monetary Authority of Singapore; in Switzerland, by M&G International Investments Switzerland AG, Talstrasse 66, 8001 Zurich, authorised and regulated by the Swiss Federal Financial Market Supervisory Authority; elsewhere by M&G International Investments S.A. Registered Office: 16, boulevard Royal, L-2449, Luxembourg. For Hong Kong only: If you have any questions about this financial promotion please contact M&G Investments (Hong Kong) Limited. For Singapore only: All forms of investments carry risks. Such investments may not be suitable for everyone. The information contained herein is provided for information purposes only and does not constitute an offer of, or solicitation for, a purchase or sale of any investment product or class of investment products, and should not be relied upon as financial advice. The Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários, the "CMVM") has received a passporting notification under Directive 2009/65/EC of the European Parliament and of the Council and the Commission Regulation (EU) 584/2010 enabling the fund to be distributed to the public in Portugal. M&G International Investments S.A. is duly passported into Portugal to provide certain investment services in such jurisdiction on a cross-border basis and is registered for such purposes with the CMVM and is therefore authorised to conduct the marketing (comercialização) of funds in Portugal. For Taiwan only: The information contained herein has not been reviewed or approved by the competent authorities and is not subject to any filing or reporting requirement. The information offered herein is only permitted to be provided to customers of an offshore banking unit of a bank ("OBU")/offshore securities unit of a securities firm ("OSU") which customers reside outside the R.O.C. Customers of an OBU/OSU are not eligible to use the financial consumer dispute resolution mechanism under the Financial Consumer Protection Law. Products offered by M&G International Investments S.A. may be made available for purchase by Taiwan OBUs/OSUs acting on behalf of non-Taiwan customers of such units but may not otherwise be offered or sold in Taiwan. **SEP 21 / W610602**