The UN SDGs, IRIS, and the Investor Perspective

IRIS Standards Series

June 18th, 2018
What we’ll cover

• How the SDGs & IRIS work together
• How two different investors – PGGM and Partners Group – integrate the SDGs into their impact measurement and management practices
• Panel Discussion and Q&A
Housekeeping items

• Please mute all lines

• Q&A will be held at the end of the webinar. Please use the Chat function to ask your questions throughout the webinar.

• The deck and a recording will be posted after the webinar at www.thegiin.org/research

• For questions about today’s content, visit the IRIS website at www.iris.thegiin.org or contact irisinfo@thegiin.org
With You Today

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Senior Advisor Responsible Investment
PGGM

Mabinty Koroma-Moore | Moderator
Engagement Manager
Global Impact Investing Network (GIIN)
What is IRIS?

**IRIS** contains the generally accepted **performance metrics** that leading impact investors use to **measure and manage** social, environmental, and financial success, evaluate deals, and grow the sector’s credibility.
A Sample of IRIS Users

62% of impact investors use IRIS metrics

1. The State of Impact Measurement and Management Practice
IRIS Linkages Connect the ‘Alphabet Soup’
What are the SDGs?

The SDGs are an internationally recognized set of goals, targets, and indicators guiding the global development agenda through 2030.

17 Goals
169 Targets
230 Indicators

8.8: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

8.8.1: Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status.

8.8.2 Increase in national compliance of labor rights (freedom of association and collective bargaining) based on International Labor Organization (ILO) textual sources and national legislation, by sex and migrant status.
The IRIS / SDGs Linkage at Work

IRIS metrics align directly:

<table>
<thead>
<tr>
<th>Sustainable Development Goal Indicators</th>
<th>IRIS 4.0 Metrics</th>
<th>Directly Aligned</th>
<th>Indirectly Aligned</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goals and Targets (from the 2030 Agenda)</strong></td>
<td><strong>Indicator(s)</strong></td>
<td><strong>IRIS ID</strong></td>
<td><strong>Metric Name</strong></td>
</tr>
<tr>
<td>8.8.1 Promote safety and secure working environments for all workers, including migrant workers, in particular women migrant workers, and those in precarious employment</td>
<td>8.8.1 Frequency rate of fatal and non-fatal occupational injuries, by sex and migrant status</td>
<td>C9189E</td>
<td>Worker Safety Policy</td>
</tr>
<tr>
<td>8.8.2 Increase in national compliance of labor rights and freedom of association and collective bargaining</td>
<td>8.8.2 Occupational Injuries</td>
<td>O137E7</td>
<td>Occupational Injuries</td>
</tr>
<tr>
<td>8.8.3 Occupational Fatalities</td>
<td>O16525</td>
<td>Occupational Fatalities</td>
<td>Indicates the number of occupational fatalities of full-time, part-time, and temporary employees of the organization during the reporting period.</td>
</tr>
<tr>
<td>8.8.4 Worker Freedom of Association Policy</td>
<td>O11855</td>
<td>Worker Freedom of Association Policy</td>
<td>Indicates whether the organization has a written policy to monitor, evaluate, and ensure its workers’ freedom of association.</td>
</tr>
</tbody>
</table>

And indirectly:

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<thead>
<tr>
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<td><strong>IRIS ID</strong></td>
<td><strong>Metric Name</strong></td>
</tr>
<tr>
<td>1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day</td>
<td>1.1.1 Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural)</td>
<td>P20885</td>
<td>Client Individuals: Very Poor</td>
</tr>
<tr>
<td>1.1.2 Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural)</td>
<td>P20993</td>
<td>Client Individuals: Poor</td>
<td>Number of unique poor individuals who were clients of the organization during the reporting period.</td>
</tr>
</tbody>
</table>
Investing in solutions for what?
Going all the way?

Definition
What are SDIs?

Mapping
What investments qualify?

Measuring
What tangible impact our investments have

Taxonomies
What solutions qualify?

Accounting
What part of our € position 'counts'?
Investible solutions

6.1: access to safe and affordable drinking water
- Water supply & distribution
- Network construction, maintenance, equipment
- Wastewater discharge
- Network construction & maintenance
- Hygiene
- Personal hygiene products
- Water treatment
- Network construction, maintenance, equipment, desalinization
- Water testing
- Laboratory equipment & services
- Water quantity
- Water saving systems, technologies and water metering
- Water storage
- Storage infra, storage tanks

6.2: access to adequate and equitable sanitation and hygiene
6.3: improve water quality
6.4: increase water-use efficiency and reduce the number of people suffering from water scarcity

See also SDG 13.1

Positive impact indicators

Working Group members

SDG impact indicators
A guide for investors and companies
## The full monty

### IMPACT OF ENTERPRISES

<table>
<thead>
<tr>
<th>Avoid harm</th>
<th>Benefit stakeholders</th>
<th>Contribute to solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital</td>
<td>€103B</td>
<td>€2.3B</td>
</tr>
<tr>
<td>Signal that impact matters + Engage actively</td>
<td>€51B</td>
<td>€6.4B</td>
</tr>
<tr>
<td>Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital</td>
<td>€5.4B</td>
<td>€0.5B</td>
</tr>
<tr>
<td>Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital</td>
<td>€6.5B</td>
<td>€1.2B</td>
</tr>
</tbody>
</table>
Partners Group is a leading responsible investor

Since 2006, PG has been a committed leader in responsible investing, and one of the first private market investors to sign the Principles for Responsible Investments (UN PRI)

All investments comply with PG's Responsible Investment framework with strict ESG standards\(^1\), earning "A+" ratings in the last three years from the UN PRI's annual ESG assessment

The PG LIFE Strategy builds on this heritage by investing in companies and assets that actively contribute to achieving the UN SDGs

1 Propriety ESG due diligence tool based on the Sustainability Accounting Standards Board metrics integrated in the investment decision process for all our Direct investments, ESG integration programs defined for all our lead investments. Source: Partners Group (2017)
PG LIFE SDG Strategy Overview

<table>
<thead>
<tr>
<th>Definition</th>
<th>Social Investments</th>
<th>Environmental Investments</th>
<th>Inclusive Growth Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S</strong></td>
<td><strong>Investments supporting the wellbeing of society by providing quality essential products and services</strong></td>
<td><strong>Investments preserving the environment by mitigating threats to the planet and its inhabitants</strong></td>
<td><strong>Investments enabling inclusive growth by meeting the basic needs of underserved populations</strong></td>
</tr>
</tbody>
</table>

**SDGs supported**
- 3: Good health and well-being
- 4: Quality education
- 7: Affordable and clean energy
- 13: Climate action
- 1: No poverty
- 10: Reduced inequalities

**Sector focus**
- Medical care
- Internet connectivity
- Social care
- Early childhood education
- Quality schools
- Solar power
- Wind power
- Energy efficiency
- Green real assets
- Waste management
- SME financing
- Affordable housing
- Insurance
- Sustainable food production
- Energy access

1. Note that the SDGs supported are not exhaustive, but illustrate the direct link between the sector focus and the SDGs supported. For illustrative purposes only.
2. Note that the sector focus is not exhaustive, but for illustrative purposes only. Source: Partners Group (2017).
Impact is integrated throughout the investment process for every PG LIFE deal

### Due Diligence

1. **Impact screening**
   - Evaluate an asset’s potential to support a specific SDG and define impact KPIs

2. **Align with management**
   - Confirm, within first 100 days, the impact metrics that management will measure and report

### Ownership

3. **Monitor & report**
   - Collect impact data and report to clients annually

#### Logic Model

- **a** Logic Model
  - What is the **connection** between a company and the SDG(s)?

- **b** Impact assessment
  - How **significant** is the impact?

- **c** KPI Selection
  - How can we **measure** that the impact supporting the SDG(s) is achieved?

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Based on the impact screening the PG LIFE Impact Committee casts vote for whether to invest

Source: Partners Group, January 2018. For illustrative purposes only.
PG LIFE uses logic models to connect investment activities to the SDGs

Inputs → Outputs → Outcomes → SDG Impact

- Solar and wind farms become operational
- Lithium-ion battery storage for surplus solar energy becomes operational

Investment in target facilitates the purchase of future renewable energy construction projects

Key
- Reduces negative impact
- Creates positive impact

For illustrative purposes only
### Applying the IMP Shared Fundamentals

<table>
<thead>
<tr>
<th>SDG SUPPORTED</th>
<th>7.2: Affordable &amp; Clean Energy – Target: &quot;By 2030, increase substantially the share of renewable energy in the global energy mix&quot;</th>
</tr>
</thead>
</table>
| WHAT          | What are the SDG-related impact(s) & how important are they to people or planet?  
|               | → Develop logic models to identify which SDG impact(s) the investment’s effects relate to. |
| HOW MUCH      | How significant will the impact likely be in a given time period?  
|               | → Consider:  
|               | • ‘How much’ impact is expected;  
|               | • ‘How many’ people experience the impacts; and  
|               | • ‘How long’ it takes for the impacts to materialize and how long they last for. |
| WHO           | Who experiences the impact?  
|               | → Consider the demographic and geographic characteristics of people who may experience impact, including the extent to which they are underserved. |
| CONTRIBUTION  | To what extent would the impacts have happened anyway?  
|               | → Categorize PG LIFE’s contribution as an investor consistent with the categories defined by the IMP. |
| RISK          | What are the risks to the delivery of the intended impact and how significant are they?  
|               | → Consider the factors that may result in the impact of the project to be different from that expected, and the likelihood of these risks to materialize. |

Sources: The Impact Management Project, PG Impact Investment, 2018, United Nations Development Program website
For illustrative purposes only.
The PG LIFE Strategy developed rating criteria for individual SDG targets to evaluate depth of impact

Scores 5.0 on the basis that SDG target 7.2 is very high priority in host country, based on its current performance relative to other countries.

Scores 3.5 because target investment is expected to contribute up to 1.6% of country’s annual need to meet renewable energy-related targets. Moreover, the assets are expected to generate impact for 23 of the next 25 years.

Scores 2.0 on the basis that there are numerous other providers of renewable energy in host country.

Scores 4.0 as PG would be ‘engaging actively’ i.e. would use its influence to enhance target’s ability to deliver renewable energy, and have majority governance rights.

Scores 5.0 as stakeholder commitment and mission drift are very low risk, and there are low social and environmental risks for target.

Source: Big 4 Consultancy, April 2018
The PG LIFE Strategy sources Core and Supplementary impact metrics from industry standard sources, including IRIS.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Core vs supplementary</th>
<th>Relevant SDG target</th>
<th>Level of ambition (difficulty of measurement)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual renewable energy generated (e.g. in MWh) through each of the renewable energy assets</td>
<td>Core</td>
<td>Target 7.2</td>
<td>Low</td>
<td>Business Reporting on the SDGs, GRI 302</td>
</tr>
<tr>
<td>Greenhouse gases avoided from renewable energy production (CO2e)</td>
<td>Core</td>
<td>Target 7.2</td>
<td>Low</td>
<td>IRIS</td>
</tr>
<tr>
<td>Number of households and businesses supplied with renewable energy</td>
<td>Supplementary</td>
<td>Target 7.2</td>
<td>Low</td>
<td>IRIS</td>
</tr>
<tr>
<td>Capacity factor of each renewable energy asset</td>
<td>Supplementary</td>
<td>Target 7.2</td>
<td>Low</td>
<td>Business Reporting on the SDGs, GRI 302</td>
</tr>
<tr>
<td>Hazardous waste generated (in kg) and method of disposal</td>
<td>Supplementary</td>
<td>Target 12.4</td>
<td>Medium</td>
<td>IRIS, GRI 306</td>
</tr>
<tr>
<td>Environmental impacts associated with manufacture of batteries</td>
<td>Supplementary</td>
<td>Target 12.2</td>
<td>High (likely requires life cycle assessment of batteries)</td>
<td>Consultant</td>
</tr>
<tr>
<td>Impacts on listed threatened species or migratory species (e.g. # of incidents)</td>
<td>Supplementary</td>
<td>Target 15.1</td>
<td>Medium</td>
<td>Business Reporting on the SDGs, GRI 304</td>
</tr>
<tr>
<td>Area of land use (e.g. in hectares)</td>
<td>Supplementary</td>
<td>Target 15.1</td>
<td>Low</td>
<td>IRIS</td>
</tr>
</tbody>
</table>

SDG targets are Program level targets.
Discussion and Q+A

Have thoughts or feedback? Email us:
iris@thegiin.org

Find additional guidance materials on the linkage at:
www.iris.thegiin.org/metrics/sets

Learn more about PGGM at:
https://www.pggm.nl/

Learn more about Partners Group at:
https://www.partnersgroup.com

Find more information on impact measurement & management:
www.thegiin.org/imm