Our thematic strategies and the UN’s Sustainable Development Goals
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“Our clients want to know whether the companies we invest in are helping to build a better future.”

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PICTET ASSET MANAGEMENT
Supporting Sustainable Development

Our world is in trouble. Temperatures are rising, water is becoming more scarce, pollution is at record levels, malnutrition is a global concern and the gap between the rich and the poor is growing.

From governments to businesses, investors and individuals, everyone needs to work together to solve these issues to build a better, more sustainable future.

To help chart our progress, in 2015 the United Nations agreed 17 Sustainable Development Goals (SDGs) – a set of global social, environmental and economic targets for its member countries. FIG. 1 Initially designed primarily for policymakers and governments, businesses are increasingly trying to show their exposure to SDGs within their Sustainability reports. In addition, investors are also starting to request that asset managers demonstrate the exposure of their investments to SDGs.

However, so far there is little standardisation in the reporting, with some companies showing excessive optimism by highlighting only strong points or carrying out assessments at a very superficial level. We believe it is our duty to provide our clients with a transparent and rule-based SDG-exposure analysis of our portfolios. We have developed a two-tier proprietary process, combining Artificial Intelligence-based quantitative analysis with fundamental input from our experienced investment managers in the Thematic Equities team. This allows us to assess the external impact of company’s products and services on society and on our planet.

The results – which are presented in this document – suggest that our thematic strategies have a positive impact on the world in their target areas (such as water or clean energy) but also show that their exposure to the SDGs is often broader.

DID YOU KNOW?

Of the millennials or the next generation leaders, as per a recent Deloitte survey, believe that they are accountable for protecting the environment.

Source: Deloitte Millennial Survey, 2017
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**FIG. 1**

THE UNITED NATIONS 17 SUSTAINABLE DEVELOPMENT GOALS

Source: un.org, 2020
Our Process

In our assessment of companies’ exposure to the SDGs, we conduct a rule-based, data-driven analysis relying on a combination of artificial intelligence and qualitative input from our investment managers.

1. Quantitative

Our proprietary Artificial Intelligence (AI) engine uses natural language processing (NLP) to analyse seven different sources of information for each company – including transcripts of earnings calls, company reports and financial databases. It seeks to identify the most commonly used keywords, providing insight into the company’s DNA.

The system then screens the keywords to focus on ones which are aligned with the SDG concept. It takes into account their relative importance (both to the company and to the SDG) to quantify the exposure of each company to the 17 goals and 169 sub-goals.

2. Fundamental

The fundamental analysis is conducted by our experienced investment managers and thematic product specialists. They focus on the impact of the products and services produced by the companies, rather than on their own internal operations.

So, for example, to get a good score for “Quality Education” (SDG 4), a company would need to commercialise a public education programme – it is not enough just to train its own staff. The impact is assessed by drilling down to all the 169 targets (or sub-goals) across the thematic portfolios. Scores are given on a seven point scale, ranging from highly negative to highly positive exposure.

The final SDG score for our portfolios consists of equal contributions from the fundamental and quantitative analysis.
FIG. 2
SDG EXPOSURE OF PICTET THEMATIC STRATEGIES

Source: Pictet Asset Management as of March 2020.
Exposure below MSCI ACWI average are not displayed.
Exposure to the Sustainable Development Goals

On the following pages you will find a breakdown of our thematic strategies’ exposure to the SDGs. We have also included information on some of the innovative companies looking to solve the problems highlighted by the SDGs.

Note: The company names listed here are shown for illustrative purposes only and may not be representative of the stocks held in the Pictet thematic equity portfolios. Exposure to the Sustainable Development Goals is not a reliable indicator of past or future performance.

Source: Pictet Asset Management, based on information provided by each of the companies in March 2020. Pictet Asset Management cannot be held responsible for the accuracy and validity of the statements provided.

At Pictet’s head office in Geneva, a range of solutions have been used to increase the building’s energy efficiency. The three main installations – the solar air conditioning plant, the heat transfer plant and the photovoltaic panels – enable us not only to avoid using fuel oil and prevent 

CO$_2$ emissions, but also to produce clean electricity.
With a growing population and increasing life expectancy, the world must find new ways to reduce healthcare costs and keep patients out of hospital. Biotech companies hold the key to many new discoveries that can help solve these issues, and also find potential cures for still hard-to-treat diseases such as cancer.

**SDG exposure**

The Biotech strategy has its highest exposure to SDG 3 (Good Health and Well-being) followed by SDG 9 (Industry, Innovation and Infrastructure) through its focus on innovation-driven companies.

**Company example**

**Gilead Sciences**

Gilead Sciences is an innovative biotech company focusing mainly on finding cures for HIV, AIDS and Hepatitis. The company offers discounted treatment prices based on a nation’s disease burden and gross national income per capita, thus giving approx. 11.5 million people in resource-limited countries access to life-saving therapies.

In 2018, Gilead also provided almost USD 400m in cash donations to reduce health disparities, provide better healthcare access to underserved populations and train healthcare professionals.
Clean Energy

The Clean Energy strategy aims to identify the most attractive investment ideas in three key areas: energy efficiency, low-carbon energy and renewables. All these areas have a vital role to play in helping the world move towards a low to-zero carbon future and help to reduce air pollution.

SDG exposure

The Clean Energy strategy has its highest exposure to SDG 7 (Affordable and Clean Energy), followed by SDG 9 (Industry, Innovation and Infrastructure), SDG 13 (Climate Action), SDG 12 (Responsible Consumption and Production), SDG 8 (Decent Work and Economic Growth) and SDG 11 (Sustainable Cities and Communities).

Company example

Kingspan

SDG 7 Affordable and Clean Energy

Kingspan is a producer of building insulation materials. 30% of global greenhouse gas emissions are attributed to buildings. By insulating walls, the energy use is reduced significantly. Lowering the world’s carbon footprint by increasing energy efficiency is one of the main goals of SDG 7.

In new, fully insulated buildings, the heating energy demand can be reduced by 90-95%, offering one of the cheapest and most efficient solutions to reduce the emissions of greenhouse gases and limit global warming.
Digital

The Digital strategy invests in companies using digital technology to disrupt traditional business models, thus enhancing client experiences, productivity and resource efficiency. Digital businesses are helping to develop faster and cheaper solutions for businesses and consumers globally, offering a better basis for decision making. Furthermore, the digital revolution is transforming the way we live, work and communicate.

SDG exposure

The Digital strategy has its highest exposure to SDG 17 (Partnerships for the goals) followed by SDG 4 (Quality education), SDG 9 (Industry, innovation and infrastructure) and SDG 12 (Responsible Consumption and Production).

Company example

i.e. PayPal

Enabler to achieve SDGs

Financial inclusion plays a big role in achieving the SDGs. This holds true especially for people not having access to regular banking systems. Digital payments may help promoting economic growth, can increase gender equality by giving women access to financial means and reduce corruption through increased transparency.

PayPal Holdings, Inc. operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. The Company offers online payment solutions, serving 270 million accounts, including 21 million merchants across 200 markets, making international remittances faster and more affordable. The company fosters the democratization of financial services and help people, businesses, and non-profits thrive in the digital economy. PayPal also helped customers contribute USD 9.6 billion to non-profit organizations through their platform in 2018.

DID YOU KNOW?

98% of Generation Z people own a Smartphone and 50% are connected online for 10 hours a day.

Source: Internet World Stats, June 2019
Global Environmental Opportunities

The strategy invests in companies providing solutions to environmental issues. Companies that make a substantial active contribution to helping to protect our planet can be found in these areas: energy efficiency, pollution control, water supply & technology, waste management & recycling, sustainable agriculture & forestry and the dematerialised economy.

SDG exposure

The strategy has exposure to a number of the SDGs. The greatest exposure is to SDG 12 (Responsible Consumption and Production), SDG 9 (Industry, Innovation and Infrastructure), and SDG 6 (Clean Water and Sanitation) but it also has considerable exposure to SDG 11 (Sustainable Cities and Communities), SDG 14 (Life Below Water), SDG 13 (Climate Action) and SDG 7 (Affordable and Clean Energy).

Company example

Smurfit Kappa
SDG 12 Responsible Consumption and Production

The company is a producer of paper based packaging. It is an example of a circular business model. Innovative packaging materials reduce the use of raw materials. Paper and carton have one of the highest recycling rate of any packaging (recycled up to 8 times). 75% of the company’s raw material is recycled fibre and 100% is recyclable.

Smurfit Kappa provides their own recycling solutions to ensure that paper and cardboard are reliably and efficiently recycled.
Global Megatrend Selection

The strategy offers exposure to eleven investment themes, covering a broad range of thematic ideas, sectors and companies.

SDG exposure

As the strategy invests across all the single theme strategies, it has exposure to many of the SDGs. The largest exposures are to SDG 9 (Industry, Innovation and Infrastructure), SDG 17 (Partnerships for the Goals), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 11 (Sustainable Cities and Communities), SDG 3 (Good Health and Well-being) and SDG 6 (Clean Water and Sanitation).

Company example

**Trimble**

SDG 9 Industry, Innovation and Infrastructure

Trimble provides advanced location-based solutions focused on improving the sustainability and efficiency of the agriculture, construction and transportation sectors. Trimble’s products help customers to maximise farm productivity, increase construction productivity and efficiency through faster building times and lower rebuild rates and improve fuel efficiency by up to 20% through efficient logistics and fleet monitoring.

Governments and NGOs use Trimble technologies to monitor and improve critical infrastructure, for forest and land management, and to mitigate the effects of natural disasters such as earthquakes, volcanos, wildfires, or floods and tsunamis.

**DID YOU KNOW?**

By 2030, automation and artificial intelligence are expected to boost global GDP by $15 trillion.

*Source: PwC analysis, 2018*
Global Thematic Opportunities

The strategy invests in the highest conviction ideas of our thematic teams. Most of these thematic strategies have a distinct positive environmental or social impact objective.

SDG exposure
The strategy has exposure to SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production), SDG 3 (Good Health and Well-being) and SDG 16 (Peace and Justice Strong Institutions).

Company example
Applied Materials
SDG 9 Industry, Innovation and Infrastructure

Applied Materials is a semiconductor equipment company. Semiconductors are an enabler for many impactful industries. They are critical to power management applications and a basic requirement to integrate renewable energy into the power grid. Beyond this, semis are also powering the memory needed for smartphones, smart mobility applications, cloud computing and storage, as well as Internet of Things and industrial electronics.

The company invests USD 2 billion annually in research and development, partnering with universities and research institutes to drive future technology disruptions.
Health

By investing in companies who increase people’s health span, we help the health system to achieve net cost savings and people having better quality of life. Our Health strategy aims to identify the most attractive investment ideas in three areas: preserving health, restoring health through innovative solutions and the financing and efficiency of the healthcare system.

**SDG exposure**

The Health strategy is, unsurprisingly, very biased towards SDG 3 (Good Health and Well-being). Due to its concentrated investment approach, it has relatively little exposure to the other SDGs.

**Company example**

**Tabula Rasa HealthCare**

SDG 3 Good Health and Well-Being

Often, pharmacies and prescribers are not catching many dangerous drug-drug interactions. Tabula Rasa has access to vast data on drug adverse events and has algorithms that can address interactions of several drugs, not just the interaction of two drugs one-to-one. A study has shown that their multidrug risk assessment has significantly decreased hospital admissions due to unwanted interactions.

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**DID YOU KNOW?**

Global life expectancy is expected to increase from 65 years in 1995 to 75 years in 2030.

*Source: World Health Organisation, 2015*
The strategy invests in companies that are developing solutions to help secure the world’s future food supply. These solutions include innovations to improve productivity in farming, increase efficiency in food transportation and processing, and maximise the nutritional content of the food we eat. We aim to encourage solutions for the required dietary shifts and environmental improvements needed to ensure our global food security, mitigate climate change and improve our health.

**Nutrition**

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**SDG exposure**

The Nutrition strategy has, unsurprisingly a high exposure to SDG 2 (Zero Hunger). It also has exposure to SDG 12 (Responsible Consumption and Production), SDG 3 (Good Health and Well-being) and SDG 14 (Life Below Water).

**Company example**

**SIG Combibloc**

SDG 2 Zero Hunger

The company produces aseptic carton packs for food and beverages. The contents retain their nutrients and flavours and keep fresh over prolonged periods of time without additional preservatives or refrigeration. Inadequate packaging is one of the main reasons for food losses and food waste.

In a world where up to 30% of all food is wasted before it reaches the table, the company has a significant impact on keeping food fresh and edible for longer. Cartons are also unbreakable, lightweight and more efficient when it comes to logistics. SIG Combibloc cartons are fully recyclable after use and all materials can be recovered and reused.

**DID YOU KNOW?**

2 BILLION people globally are overweight or obese while 820 million people are undernourished.

*Source: FAO, 2019*
Premium Brands

The Premium Brands strategy invests in high-end companies that cater to consumer aspirations and have a reputation for delivering outstanding quality. Even though their products and services often do not have a direct impact towards achieving the SDGs, these companies’ operations have a reputation for carefully managed supply chains, excellent management of environmental and social aspects as well as a breadth of philanthropic activities.

SDG exposure

The Premium Brands strategy has its highest exposure to SDG 12 (Responsible consumption and production). It does not have a particularly high exposure to the other SDGs.

Company example

Nike

SDG 12 Responsible consumption and production

Nike’s brand image is focused on uniting the world through sport, making a positive impact in communities and by making products responsibly and more sustainably. Nike is increasing the use of more sustainable materials across their products, transforming for example around 1 billion plastic bottles per year into recycled polyester for materials for both apparel and footwear.

The company is also planning to invest a minimum of 1.5% of pre tax income to drive positive impact in communities, especially on getting and keeping more kids active by removing barriers to play and sport. The company’s efforts are mainly engaged on activities for girls, training more youth coaches, and supporting environments that promote physical activity like active schools.
Robotics

The Robotics strategy invests in companies that are at the forefront of technological innovation. Because of its ability to increase productivity, reduce costs and help solve the challenges linked to an increasingly elderly population, the robotics sector is set to grow significantly faster than the broader economy and will help to mitigate some of the environmental and social challenges of the future.

SDG exposure

The Robotics strategy has its highest exposure to SDG 8 (Decent work and economic growth) and SDG 9 (Industry, innovation and infrastructure). These are both related to technological innovation.

Company example

Splunk

Splunk Inc. develops web based application software that collects and analyses big data. By providing the necessary data tools, Splunk helps to make faster and more relevant decisions for their clients globally, thus encouraging accelerated innovation processes.

Splunk will donate a minimum of USD 100 million over a 10-year period in software licenses, training, support and education to non-profit organizations and educational institutions around the globe to support academic research and generate a positive social impact. In 2019, the company made a total contribution of USD 32 million through this program.
Feeling safe and secure is a fundamental human need. The strategy invests in companies that help people, corporates and governments to address various safety challenges in a globalized and connected world. From protecting against cyber-attacks and guarding vital infrastructure to food safety and personal safety, the strategy is investing in companies that make us feel safe and well protected in all areas of our lives.

**SDG exposure**

The strategy has its highest exposure to SDG 16 (Peace, Justice and Strong Institutions). It also has significant exposure to SDG 3 (Health & Wellbeing), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production) and SDG 17 (Partnerships for the Goals).

**Company example**

**Proofpoint Inc**  
**SDG 16 Peace, Justice and Strong Institutions**

Proofpoint provides data protection services to corporate clients as well as governments and public institutions. Its applications protect against cybersecurity threats and data loss, prevent digital fraud and ensure regulatory compliance through the identification of sensitive data and digital archiving of compliance-relevant communication. Amongst Proofpoint’s clients are universities, governments, hospitals as well as other providers of essential infrastructure that are naturally susceptible to online threats.

Proofpoint was also in charge of protecting the social network of the 2014 Winter Olympics.

**DID YOU KNOW?**

Globally, 22 BILLION devices are connected to the internet and need to be protected against cyber threats.  
*Source: Statista Research Department, 2020*
Our thematic strategies and the UN’s Sustainable Development Goals

The strategy invests in the companies helping to develop safe, sustainable and more livable cities of tomorrow. These companies are active in areas such as mobility and transportation, infrastructure, real estate, sustainable resources management, as well as enabling technologies and services supporting the development of smart and sustainable cities.

SDG exposure

The strategy has a well-diversified exposure across many SDGs. These include SDG 11 (Sustainable Cities and Communities), SDG 9 (Industry, Innovation and Infrastructure), SDG 7 (Affordable and Clean Energy), SDG 12 (Responsible Consumption and Production), SDG 16 (Peace and Justice Strong Institutions) and SDG 8 (Decent Work and Economic Growth).

Company example

Stadler Rail

Stadler Rail is a Swiss manufacturer of high-efficiency trains and trams. They provide environmentally sustainable and economical solutions to enable state-of-the-art public transport between and within urban areas.

The company is specialised in customised transport solutions, enabling modern and passenger-friendly public transport that is perfectly adapted to cities’ requirements. Stadler also produces safe and efficient driverless and fully automated trains.
The strategy invests in companies across the wider timber sector including those involved in the sustainable use of woodland, from growing trees and forests to processing wood for construction, industrial and consumer needs. Sustainably managed forests act as a reservoir for biodiversity and a carbon sink, while wood-based products help to solve the world’s plastic pollution problem.

**SDG exposure**

The Timber strategy has its highest exposure to SDG 15 (Life on Land) followed by SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

**Company example**

Rayonier

**SDG 15 Life on Land**

Rayonier owns 1 million hectares of forest in the United States and New Zealand. Rayonier understands the importance of sustainably managed forestland for the environment, in particular for climate change, biodiversity and the water cycle.

100% of their forests are FSC or SFI certified. Rayonier has also collaborated with bioreserve entities to protect more than 80’000 hectares of conservation land, which is home to at least 17 endangered or threatened species.

**DID YOU KNOW?**

**U.S. forests alone store 14% of all annual carbon dioxide (CO2) emissions from the national economy.**

*Source: American Forests, 2017*
The Water Strategy invests in companies developing solutions to global water challenges, such as producing and distributing drinking water, the collection and treatment of wastewater or those developing water technologies for companies and consumers. These companies have a positive impact on our society and the environment, as their products and services are improving water quality, maximizing water efficiency or increasing the number of households connected to water networks.

SDG exposure

The Water strategy has its highest exposure to SDG 6 (Clean Water & Sanitation) with 86% exposure. The strategy also has significant exposure to SDG 11 (Sustainable Cities and Communities) and SDG 12 (Responsible Consumption and Production).

Company example

Xylem

Xylem is a specialist in water and wastewater technologies, making the water value chain more resource efficient and sustainable. They are committed to creating a water secure world with a 2025 target to treat 13 billion m$^3$ of water for reuse (equivalent to the yearly domestic water need of almost 200 million people) and prevent over 7 billion m$^3$ of polluted water from flooding communities or entering local waterways.
Thematic Impact Investing

Investors have a key part to play in protecting our environment or society to safeguard our future.

In many of our thematic portfolios, we proactively invest in companies that are working to address societal and environmental challenges. We believe that in order to invest responsibly it is important to understand the impact that the companies in our portfolios have on the planet and society and to incorporate that information into our investment decisions.

For a company to qualify as a sustainable thematic investment candidate, it must possess two qualities. First, a sustainable company should “do the right thing”. Its core business should focus on the development of products and services that directly seek to alleviate the strains on the world’s natural resources or help overcome societal challenges. It is this quality in particular that can be accessed through sustainable investment themes with specific environmental or societal focus.

Second, a sustainable company should also “do things right”. In other words, it should actively seek to improve its environmental and societal footprint across its operations and beyond — from how it treats its employees to the way it sources raw materials or how it recycles its products after use.

Active ownership is also an important factor for thematic impact investing. We actively vote at general assemblies and act as strategic long-term partners to companies’ managements. By engaging with the companies we invest in, we can better understand their business model and help them to improve their operations or governance structure. This helps us to foster positive societal or environmental impact alongside generating financial returns.
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Issued in May 2020
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