



## BlackRock research shows how the UN Sustainable Development Goals can be material to investments

- Analysis explores how the UN SDGs have strong links to ESG factors that are financially material to investments
- Research also addresses the challenges and opportunities for investors looking to integrate UN SDGs into investment decisions, including measurement, relevance and prioritisation

London, 1 July 2021 – BlackRock Sustainable Investing today published new research that finds that the United Nation’s Sustainable Development Goals (“UN SDGs”) can contribute to an assessment of financial materiality when building investment strategies. The paper, titled “**Sustainable Investing: Integrating the UN SDGs in Investments**,” outlines how the UN SDGs can help investors build strategies that seek to invest in the transition to a more sustainable and equitable world.

**Philipp Hildebrand, Vice Chairman of BlackRock, said:** “At BlackRock, we believe our clients can achieve long-term performance through sustainability-integrated portfolio management. As a guidepost to global social and environmental objectives at a global level, the UN SDGs can highlight to investors the interdependencies between financial and sustainable performance. We provide our investment teams with tools to integrate the UN SDGs into their solutions, and we also advocate for reporting and disclosure on business relevant sustainability risks and opportunities. This is to help our clients, the true owners of these companies, meet their long-term financial goals.”

As a framework of global social and environmental objectives, the UN SDGs demonstrate the interdependencies between financial and sustainable performance. The UN SDGs could also be a signal of both future regulatory pressure and market opportunities, as the world mobilises to achieve them.

The UN SDGs provide a set of common targets for all countries to accomplish in a global partnership. While countries and governments have the ultimate responsibility for progress, the private sector holds the key to unlock the world’s ability to deliver on the goals. **Investors and asset owners are becoming increasingly aware of the UN SDGs as a framework for sustainable investing and are looking to understand their relevance to investment decisions.** This means that the management of both positive and negative social and environmental outcomes today may become more material to company success in the future as countries progress towards achieving the goals.

While measuring the alignment of investments to the UN SDGs is still a complex and evolving task, BlackRock’s research highlights a significant overlap between the UN SDGs and company indicators that are material to long-term financial performance. **Our mapping of the 980 financially material sustainability indicators identified by the Sustainability Accounting Standards Board (“SASB”) to the 242 UN SDGs country indicators reveals a match as high as 70%.** The matching level was especially high in the Environment, Business Model & Innovation, and Human Capital categories, which are directly relevant to the climate change, responsible production and consumption, sustainable construction, and waste management goals.

This paper highlights that integrating the UN SDGs is relevant for long-term investors to not only align their strategies with sustainable objectives, but also to incorporate associated risks and opportunities into their broader ESG integration strategy. The strong links between material ESG issues and the UN SDGs help investors understand the relevance of the goals to investment decisions and offer solutions for aligning investments with the world’s collective effort to end poverty, protect the planet, and improve the lives of everyone everywhere.

BlackRock’s research seeks to explore the financial materiality of the UN SDGs with a sector-differentiated lens, which is appropriately captured in the SASB framework. Even though SASB offers the more relevant framework for this analysis, BlackRock also acknowledges the important contributions of other global



frameworks that focus on both financial and broader stakeholder materiality, including the GRI (Global Reporting Initiative) and the NFRD/CSRD<sup>[1]</sup> initiative in the EU.

**Carole Crozat, Head of Fundamental Research at BlackRock Sustainable Investing, commented:** “We believe that the UN SDGs have the potential to deliver value not only through impact investments, but also through wider ESG-focused strategies. The integration of material ESG risks and externalities in portfolios can provide critical acceleration of the UN SDGs and can open up the opportunity to magnify the overall contribution of private actors, beyond just impact investment strategies.”

“As the UN SDGs grow in prevalence, companies will increasingly have to improve their transparency on issues pertaining to the goals. Focus will be where the information is linked to financial materiality, and we anticipate regulatory forces will likely introduce some requirements for companies to improve their disclosures and management of their social and environmental impact.”

**Philipp Hildebrand added:** “It is increasingly recognised that companies can contribute to or detract from the UN SDGs through not only their products and services, but also through their operations. BlackRock believe companies that understand their overall impact on the environment and society and align their businesses with the UN SDGs will have the potential to become market leaders.”

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#### **Sustainable Investing at BlackRock**

BlackRock is committed to helping its clients build resilient and well-constructed portfolios that are critical to achieving their long-term goals. BlackRock is making sustainability integral to the way we manage risk, construct portfolios, design products, and engage with companies.

As of 31 March 2021, BlackRock manages US\$351 billion in dedicated sustainable assets, including an industry-leading renewable power infrastructure business, which invests in the private markets in wind and solar power; green bond funds; the industry’s first environmental sustainability-focused cash management strategy; and circular economy active strategies, which invest in businesses focused on minimising waste and leveraging the full life cycle of materials. The firm also manages an additional \$628 billion of assets across BlackRock’s broader platform that utilize environmental, social or governance screens.

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[1] Non-Financial Reporting Directive (NFRD) and Corporate Sustainability Reporting Directive (CSRD)