

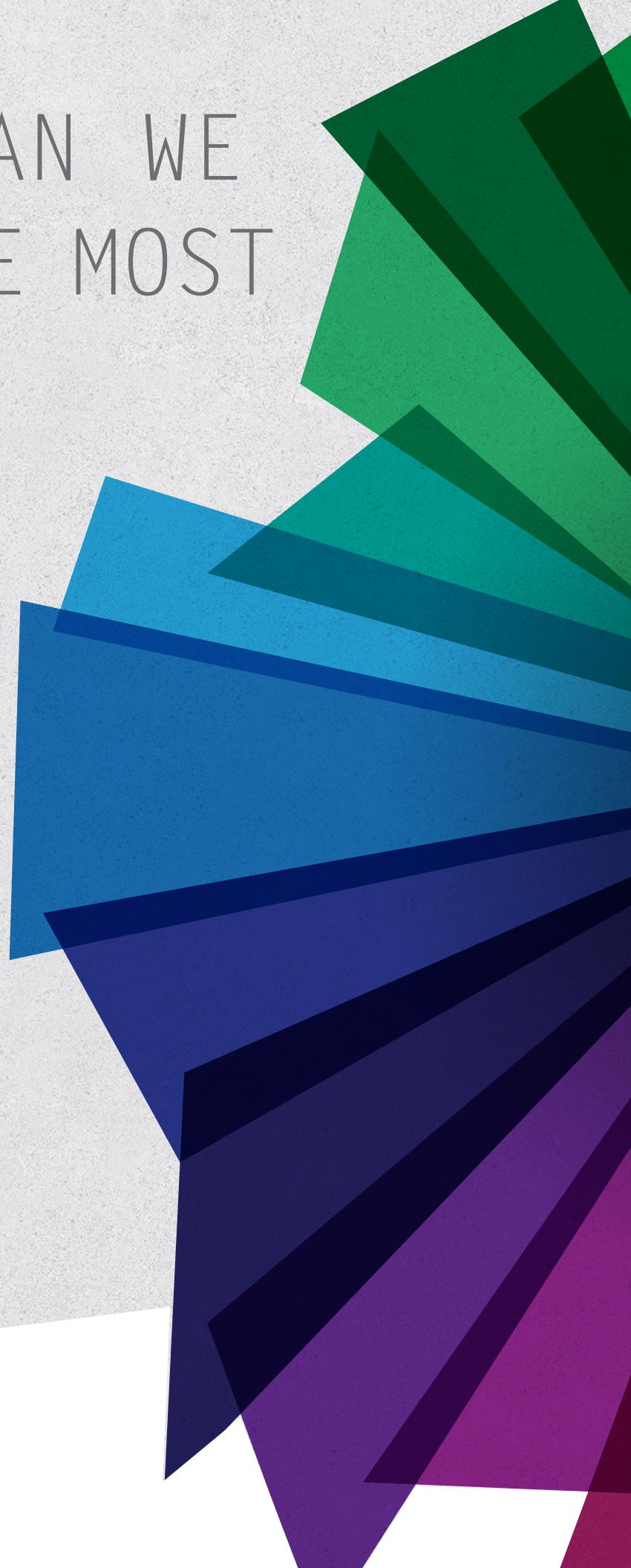


RESEARCH BRIEF



# WHERE CAN WE HAVE THE MOST IMPACT?

A Community  
Foundation's Playbook  
for Investing  
with the United  
Nations' Sustainable  
Development Goals



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# Investing with the United Nations' Sustainable Development Goals

The existential question at the core of any foundation is, *Where can we have the most impact?* Determining the best ways to leverage funds, human resources, and tactics at the foundation's disposal to achieve its mission is central to maximizing the impact of philanthropy. Beyond grantmaking, every foundation, including community foundations, has sizable assets to invest, which can be used to further its impact. This playbook helps community foundations use the United Nations' [Sustainable Development Goals \(SDGs\)](#) to put those assets to work to build a more sustainable world.

Introduced in 2015, the 17 broad SDGs aim to eliminate poverty, hunger and inequality, protect and preserve the planet, and build conditions for peace and prosperity through partnerships and collaboration. The "Five Ps" — people, planet, peace, prosperity, and partnerships — are often used as shorthand to describe the overarching and interconnected concerns of the SDGs. This expansive perspective on "sustainability" opens a much broader range of opportunities for thinking about community foundation financial investments.

193 countries, including the U.S., have signed on to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). The U.S. is one of the 193 countries that signed on to the 2030 Agenda for Sustainable Development and the SDGs. In the United States, regions, cities and communities set their own SDG goals, prioritize their targets, and adopt appropriate indicators. This puts community foundations in a powerful leadership position to spur collective impact using the SDGs as a lever.

The 17 SDGs each comes with a set of more detailed targets and indicators of progress. Each target and corresponding indicator can be a driver for aligning the foundation's work with the SDGs. Payoffs for such alignment include:

- Providing a common language for talking about collective impact, shared objectives, and complementary approaches to addressing social problems,
- Using standard metrics and methods for recording those metrics,
- Addressing social problems systemically and sustainably,
- Working collaboratively within the foundation and with other nonprofit organizations,
- Working collaboratively across sectors, and
- Publicly communicating the impact of philanthropic and investment dollars.

## The 17 Sustainable Development Goals





## Bringing an Impact Mindset to Investing

An “impact-first” investing mindset seeks investment opportunities consistent with the foundation’s mission and vision. In recent years, investment strategies have been developed to achieve social and environmental returns along with financial returns.

Although investment strategies can range along a spectrum from prioritizing financial returns only to prioritizing impact only, responsible and sustainable investing occupy an increasingly diversified middle ground on the investment spectrum.

At a minimum, responsible investing seeks to mitigate the potential for an investment to cause social or environmental harm while maintaining market-rate returns. At its best, it aims to increase social or environmental benefits while continuing to attain market-rate returns.

This range of strategies allows foundations to find a fit for their particular goals and missions.

## Putting SDGs into Action

The following four steps can help foundations engage productively with the SDGs.

### Ensure organizational readiness

Ultimately, to be effective, the entire foundation, including the board, CEO, and financial officers, should be committed to an SDG framework. Identifying internal barriers to that cooperation is the first step.

For example, a foundation may find that using the action-oriented language behind the SDGs’ targets is helpful in raising funds, telling its story publicly, and educating donors. Because this work ultimately involves the entire organization, foundation engagement with the SDGs will be unlikely to succeed without full support from the board and CEO, along with financial support to engage in the work over a sustained period.

### Align priorities with SDG values

Aligning the foundation’s impact priorities with the SDGs is a two-step process. The first step is to create a set of two to three dozen SDG targets that map to the foundation’s primary areas of interest and then align those interests to its investment strategies. The second step is to identify metrics to measure progress on those targets. These priorities should be communicated to any third-party investment managers, with an expectation that they will be able to demonstrate how the way they operate helps to achieve those objectives.



### Apply the *SDG Impact Standards to*

**decision-making** The SDGs come with a set of investing standards that foundations can use. The standards focus on four functions: strategy, management, transparency, and governance. Applied to the investment practices of community foundations, they provide guidance in answering four critical questions:

1. How is the community foundation embedding SDG values into its purpose and strategy?
2. How is the foundation integrating that strategy into its investment decision-making and management approach?
3. How is the foundation tracking and reporting on its purpose, strategy, management approach, and impact performance?
4. What governance practices reinforce the foundation's commitment to SDG values?

**Determine the level of engagement**, from basic to mid-range to deep integration. A basic strategy could include tracking the number of holdings and assets under management by SDG and publishing the firm's annual contribution to the SDGs. For example, Nuveen, a global investment manager, has mapped its investments to SDG targets and tracks the number of holdings and assets under management by SDG. In addition to gathering this data, Nuveen publishes its annual contribution to the SDGs at the portfolio level, showing the number of holdings aligned with the SDGs as well as assets under management.

At the other end, deep integration could include devoting all of a foundation's assets to impact holdings and measuring and reporting detailed impacts by SDG while engaging the community at all levels. KL Felicitas Foundation, a \$10 million family foundation based in Pittsburgh, is committed to having 100 percent of its assets in "impact" holdings. It considers its contribution to the SDGs as a core strategy for its entire investment portfolio and specifically targets selected SDGs considered most important to the foundation's goals. The foundation publicly discloses its scoring methodology, reports on indicator-level outcomes for seven SDGs, and discloses its strategy for making relevant investments in each area.

Ultimately, the SDG framework encourages foundations to adopt an approach to investing that takes the Five Ps — people, planet, peace, prosperity, and partnerships — into account (consistent with the foundation's mission and vision).

Community foundations worldwide are exploring how the SDGs can contribute to their work. In the U.S., this effort is in its early stages, but [indications](#) are that aligning philanthropy with the SDGs is beginning to pay off. In most instances, the SDGs have been leveraged to strengthen grantmaking strategy and practices. But they have similar potential for improving investment strategy and practices. This playbook can be a first step toward greater and sustained impact.

Learn more about "[Where Can We Have the Most Impact?: A Community Foundation's Playbook for Investing with the United Nations' Sustainable Development Goals](#)."

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