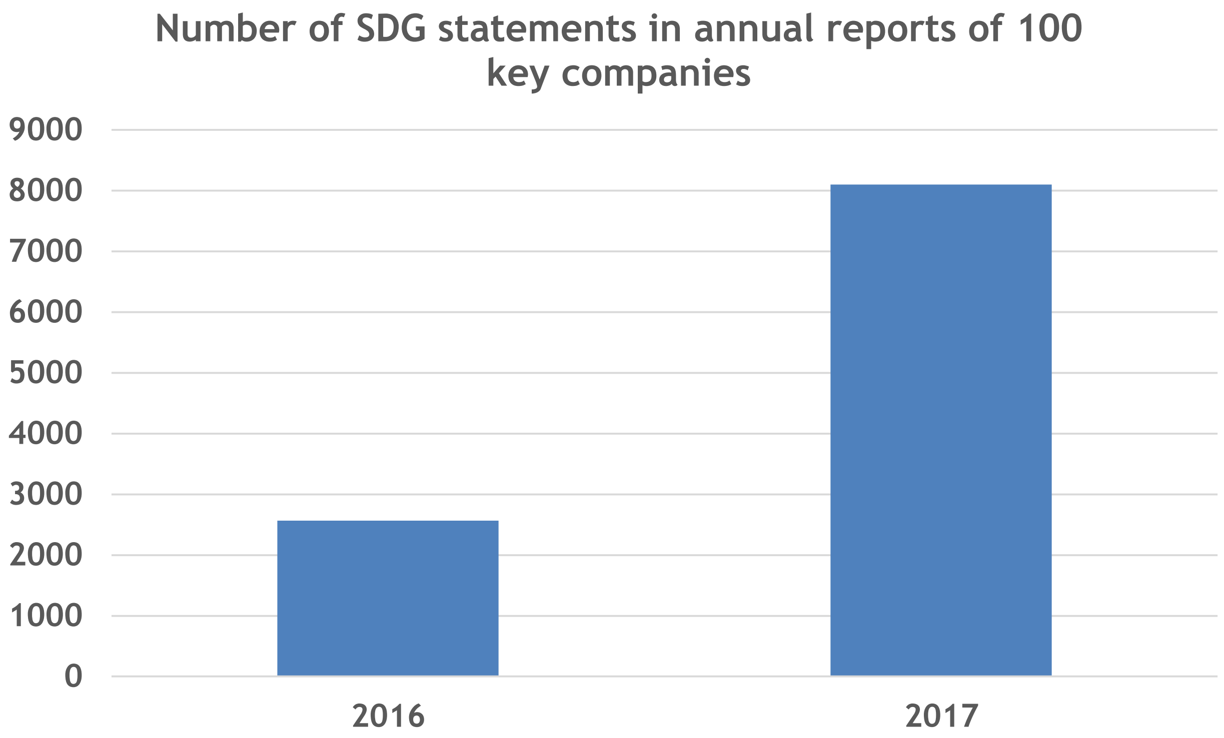
SCR100

2018

SDG Commitment Report empowers investors to move from negative screening to impact investing

1. Corporate communication on the SDGs is increasing
2. The SDG brand is growing in visibility
3. Urgency is developing around some of the SDGs

Preliminary 2017 Results Suggest Visibility of the SDGs has More Than Doubled

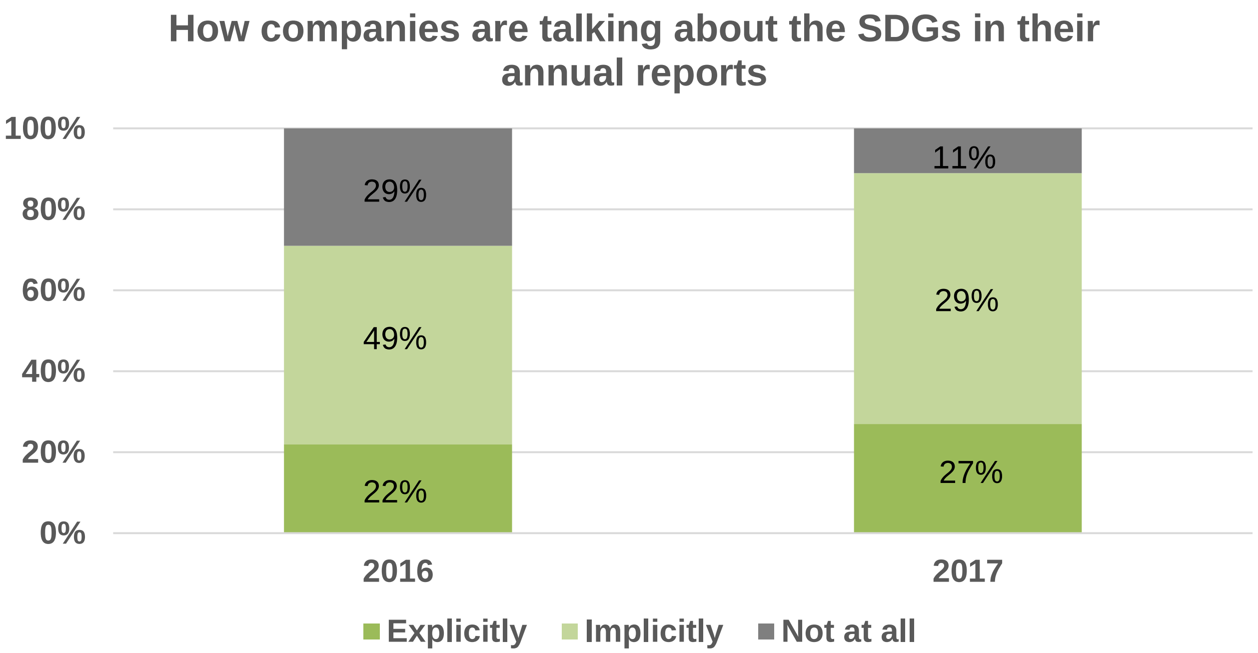


As companies have released their 2017 annual reports we have begun analysis using the same criteria as used in 2016. When the results from the first 100 companies analyzed in 2017 was compared with their 2016 results, the number of statements on the SDGs had more than doubled.

While this rate of increased visibility may not remain identical as more annual reports are analyzed and compared with 2016, the general trend seems clear: Companies are more vocal on the SDGs in their annual reports due to the positive benefits to company performance and in response to stakeholder interest in corporate responsibility and socially positive behavior.

This increase in visibility for the SDGs was not, however, consistent across all companies examined or all SDGs. In some areas growth was greater than others. This reflected both the individual circumstances of companies as well as trends related to how each of the SDGs (and its urgency) has been framed by society at large (including media and academics). This helps us further understand CSR choices.

More companies are discussing the SDGs



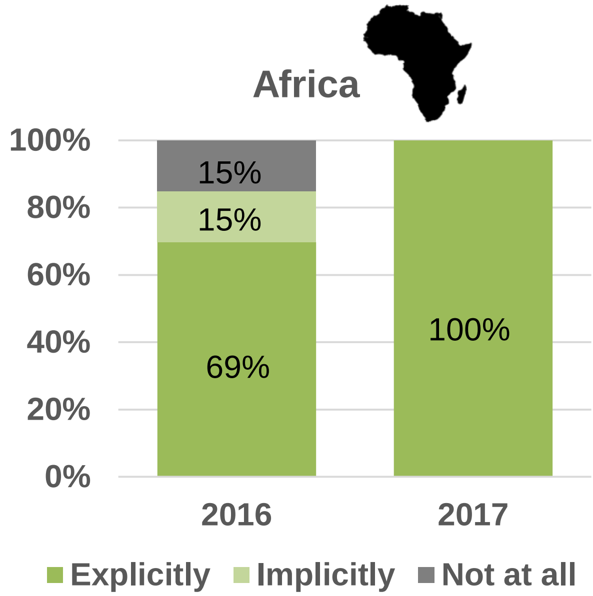
More companies are recognizing the value of discussing the SDGs. Of the 100 companies analyzed in both 2016 and 2017 to date, 18 companies provided SDG content in their 2017 annual reports that did not address the SDGs in this way in 2016.

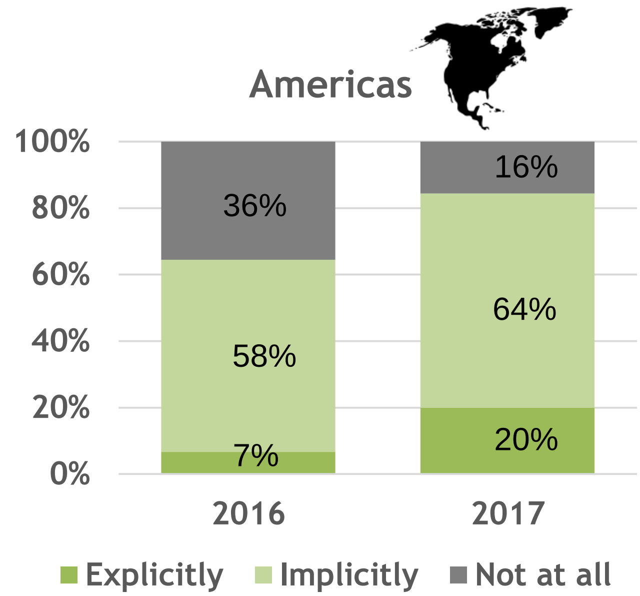
Additionally, in 2017, five more companies specifically used the phrase "Sustainable Development Goals," including a steady increase in brand recognition.

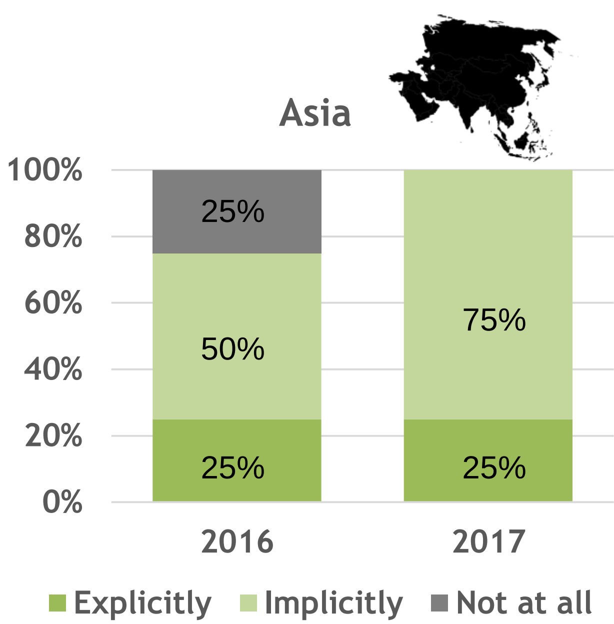
Only 11% of companies in the preliminary 2017 analysis did not refer at least implicitly to the SDGs. In most cases these were companies that do not provide a magazine-style annual report, but simply release a 10K.

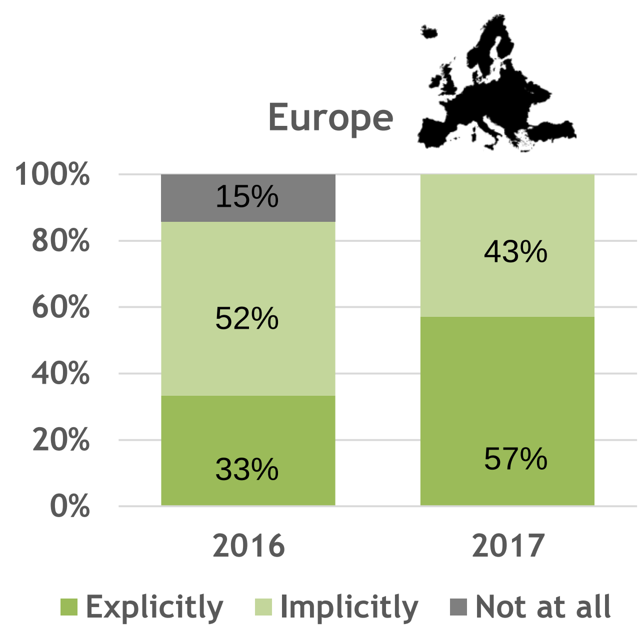
Note, this does not necessarily mean these companies do not address the SDGs in their actions, only that they do not choose to discuss those actions with stakeholders via an annual report.

Improvement Visible in Every Region



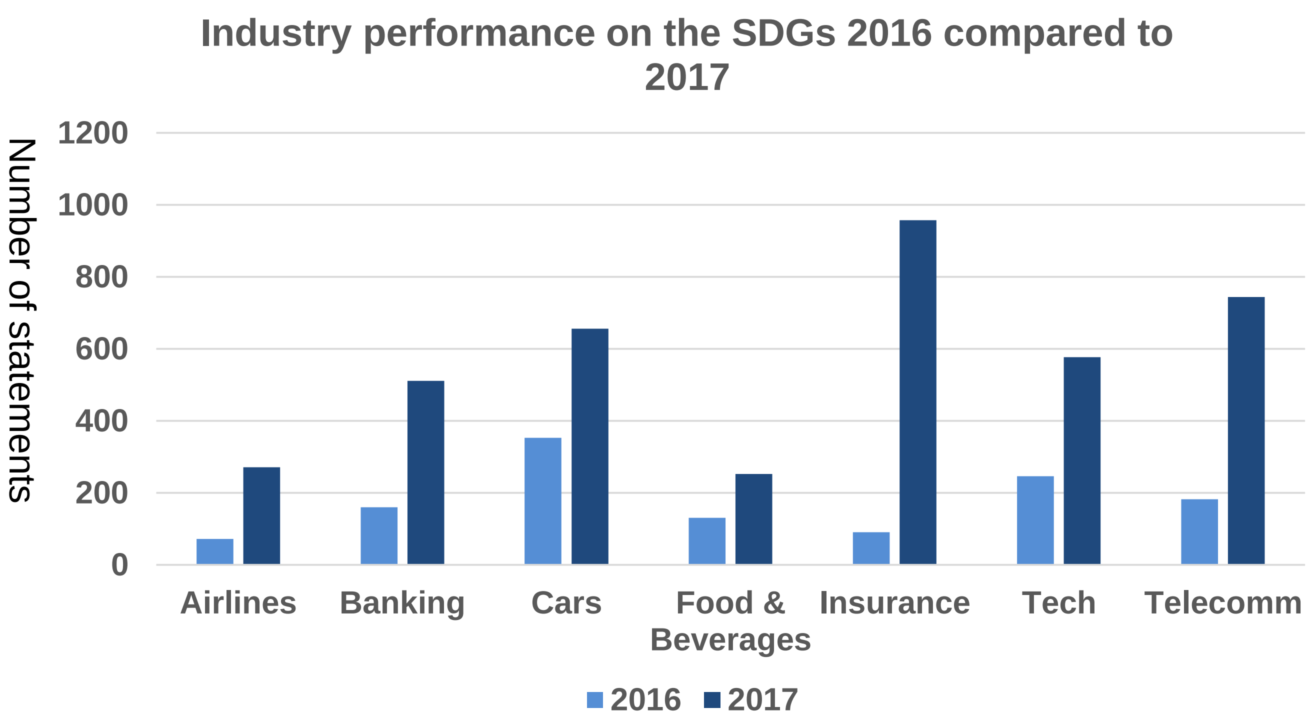






*Totals may not equal 100% due to rounding

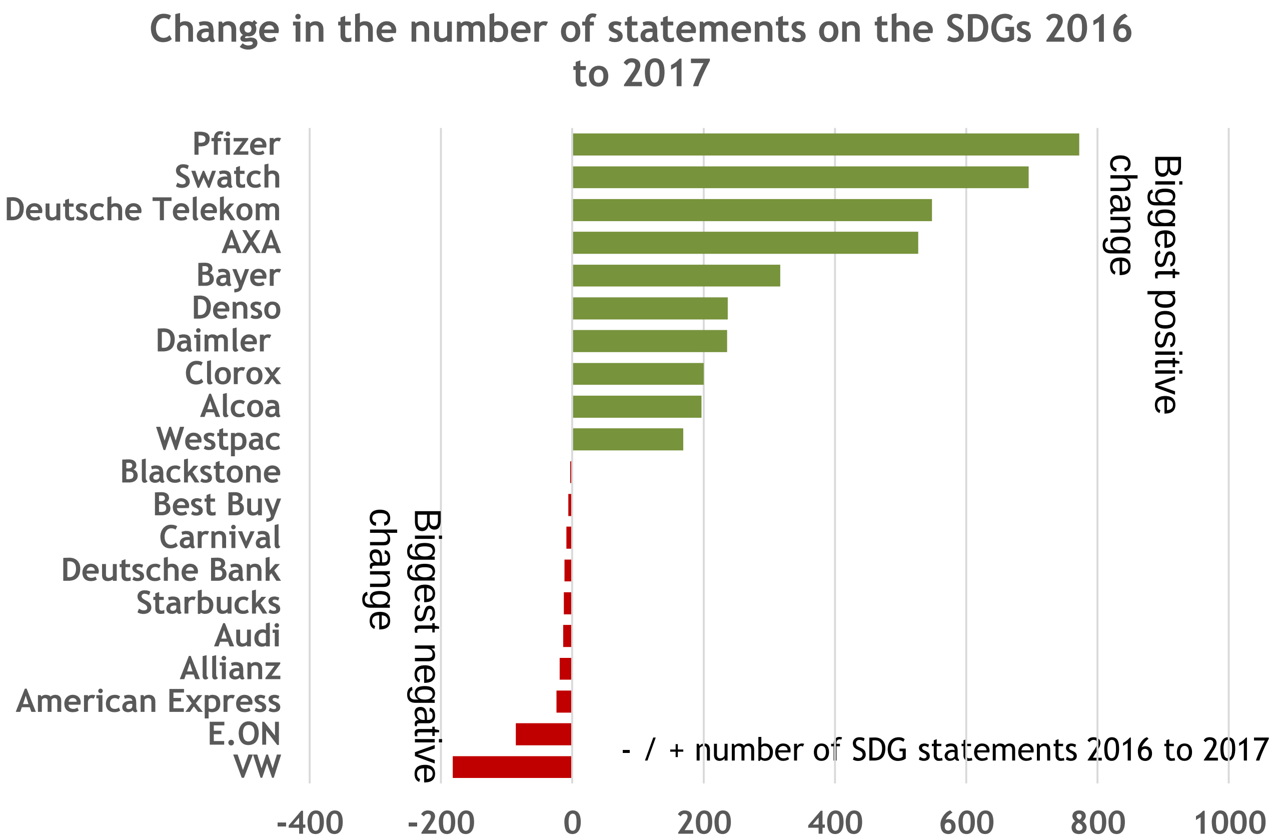
Climate Change Has Insurers Discussing the SDGs



Each of the major analyzed industries was more visible on the SDGs in 2017 as compared to 2016. However, some industries – like insurance – had far more improvement than others. Food and Beverages were relatively consistent on the volume of SDG coverage. Whereas the Insurance industry leapt into the lead. The telecomm industry also showed significant improvement.

The significant increase for insurers was largely related to a focus on climate and the impact climate change may have on their business going forward. Airlines similarly discussed the relationship between their business and the climate – and how they must take care to not worsen environmental change. Other industries focused on other SDGs as their main narrative, but still included climate in their story.

78% of Companies are More Vocal on the SDGs 2016 to 2017



Most companies offered more visibility for the SDGs in 2017 vs. 2017. Pfizer, Swatch, Deutsche Telekom, and AXA were the stand outs in this regard with a increase of more than 500 statements.

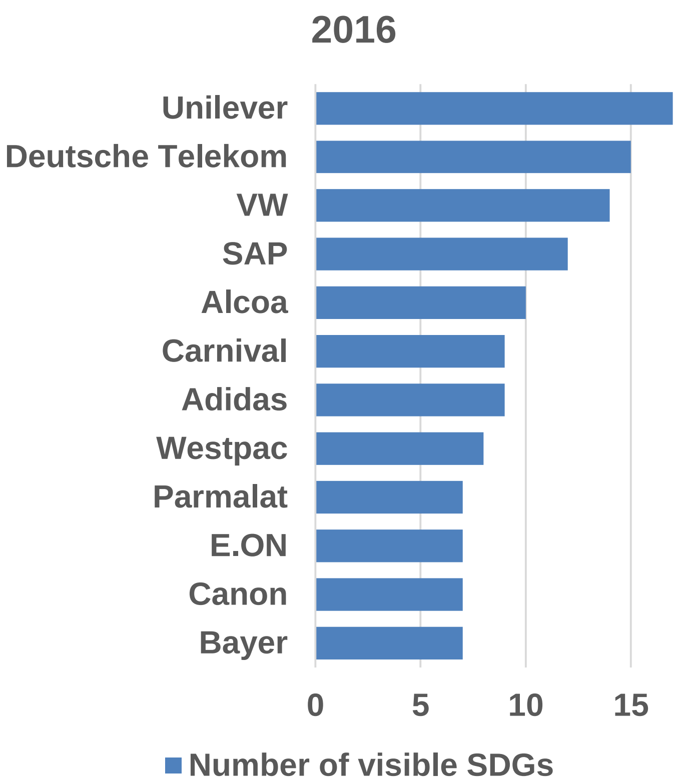
Many companies (66%) remained relatively constant in how they addressed the SDGs with changes of less than - / + 50 statements.

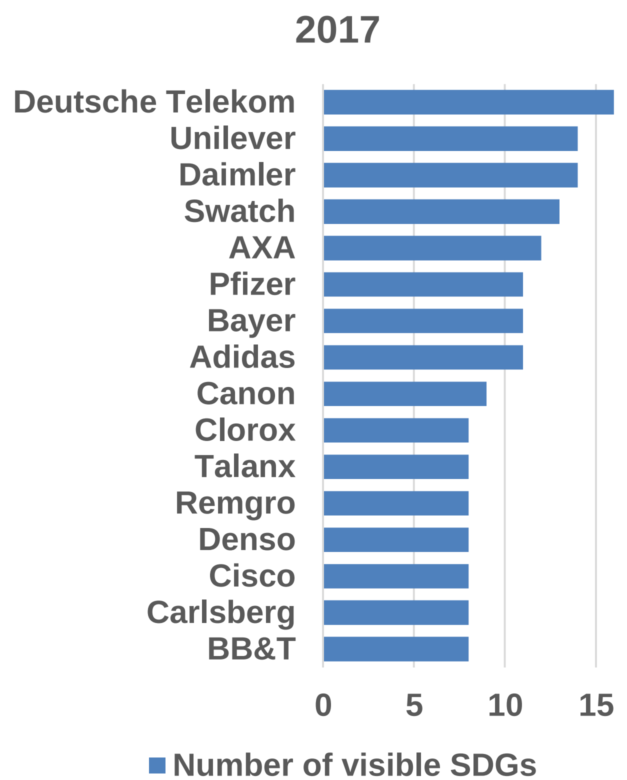
A few companies showed a drop in communication on the SDGs. This drop was often quite small (1 – 10 statements), However, in some cases this reflected broader issues.

For example, for VW this was likely due to the emissions scandal and a desire to contain image risk on their own performance.

More companies talking about multiple SDGs in 2017

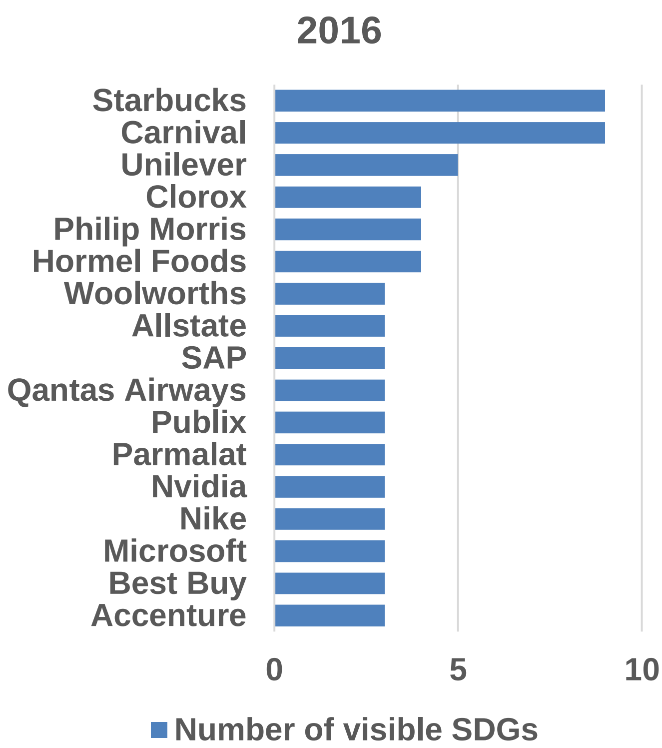
UNGSII

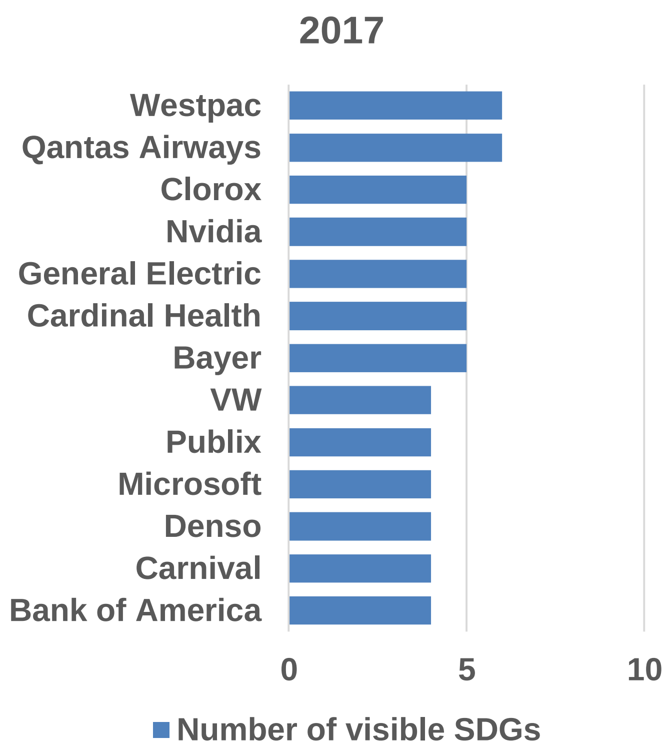




When companies are compared to see which discuss the largest variety of SDGs, 2017's performance is slightly better than 2016's with strong performers not discussing fewer than eight of the SDGs. In 2016 companies only had to address 7 of the SDGs to appear in the top ranks. Additionally more companies were included in the top ranks in 2017 because of ties at the eight SDG level. Which companies were the most successful were somewhat consistent, with Unilever and Deutsche Telekom trading the top spot. Adidas, Bayer, ad Canon also made it into the top ranks for both years.

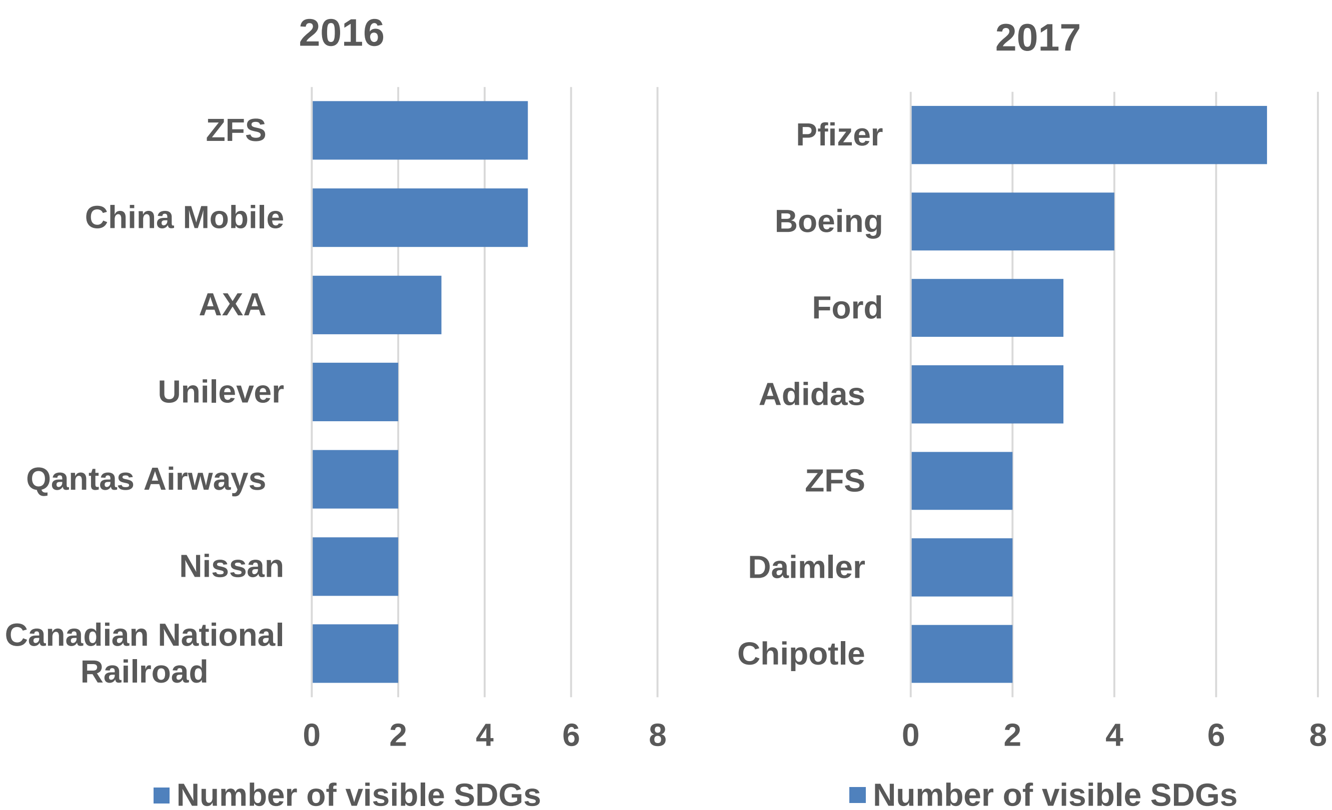
CEOs offer less SDG diversity





Content directly attributed to corporate CEOs has had less diversity of SDG visibility than annual reports as a whole. In 2017, the CEOs most vocal on the SDGs discussed on average five different ones. This is an improvement from 2016, but companies with strong CEO content on the SDGs in 2016, like Carnival and Starbucks, had less CEO content on the SDGs in their annual reports. CEO content on the SDGs is key because it makes clear that SDG commitment is coming from the top level of the company and are integral to long-term strategy and profitability.

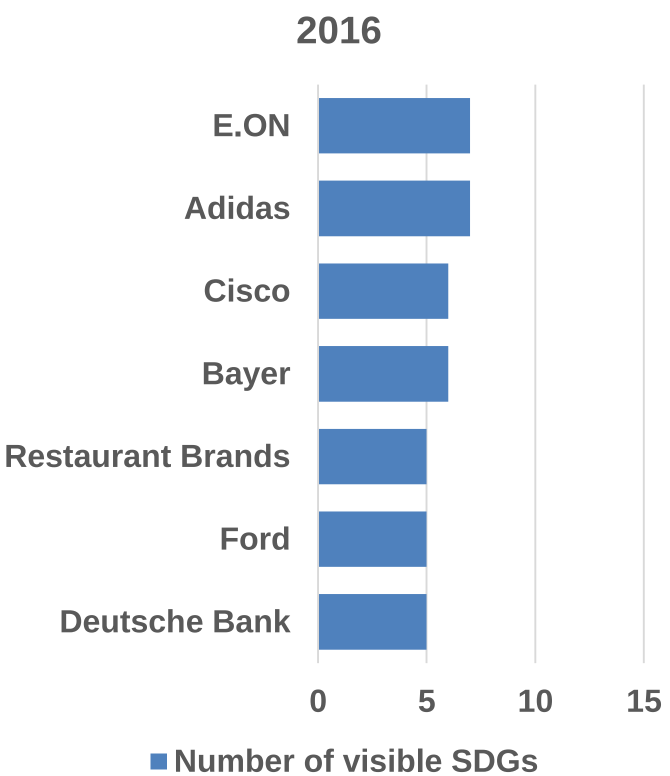
Most Chairmen aren't yet commenting on SDGs

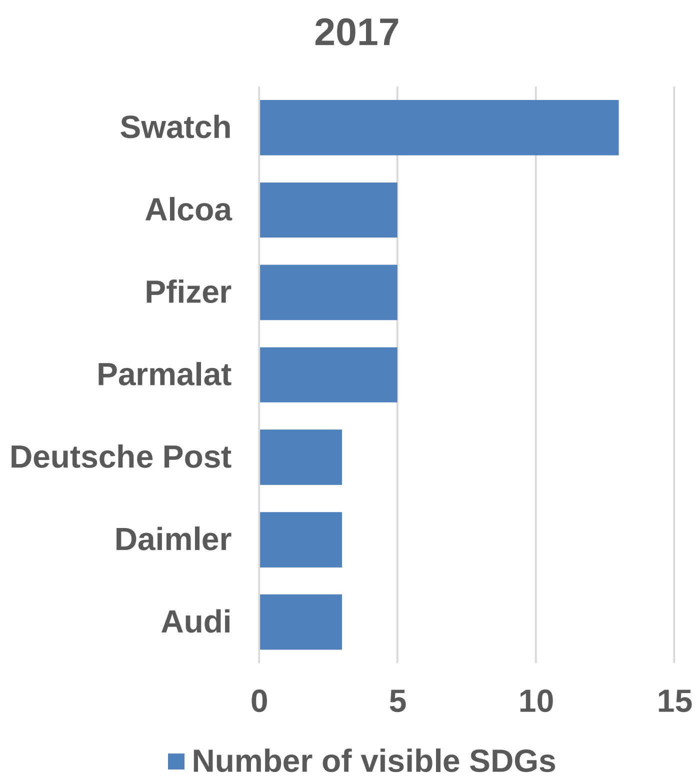


Fewer companies had chairmen discussing the SDGs, and when they did fewer SDGs were discussed. Part of this is due to the fact that not all companies include statements from their chairmen in annual reports.

Statements from Chairmen, when visible, often center on broad, long-term plans for companies. Making the SDGs part of this communication is another way to show true, integrated commitment to this type of ESG activity.

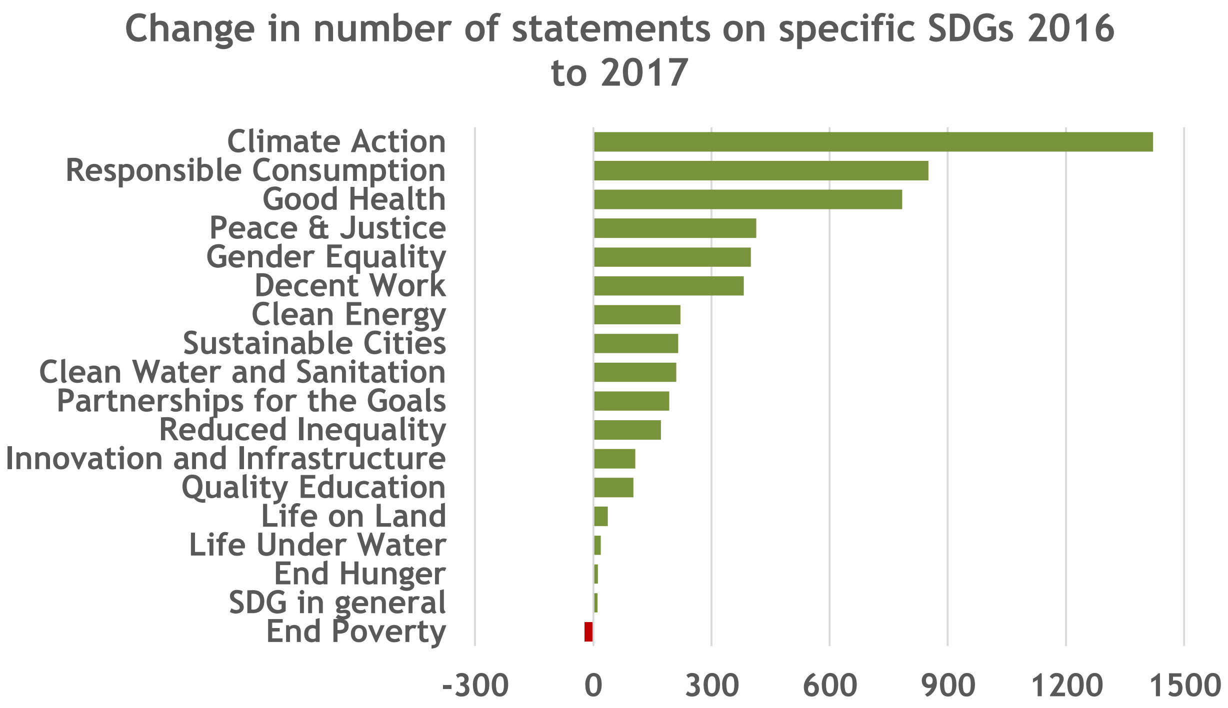
CFOs are also not yet strongly visible on SDGs





Material clearly attributed to CFOs is relatively limited in most annual reports. This extends to the diversity of SDG-related content. While this may seem reasonable at first glance, companies that include references to the SDGs in content from their CFO are connecting the SDGs to profitability. Companies interested in making their commitment to the SDGs clearer may wish to make sure their CFO is among those addressing the SDGs in their annual report content. Connecting SDGs to profitability is highly reasonable as they can help companies avoid negative financial impacts from things like climate change, pollution, and gender inequality.

Companies are Increasingly Detailing Their Climate Commitment



Visibility for Climate Action received the biggest increase in visibility in the analyzed corporate annual reports, showcasing the urgency of climate concerns after a year of increasingly severe weather.

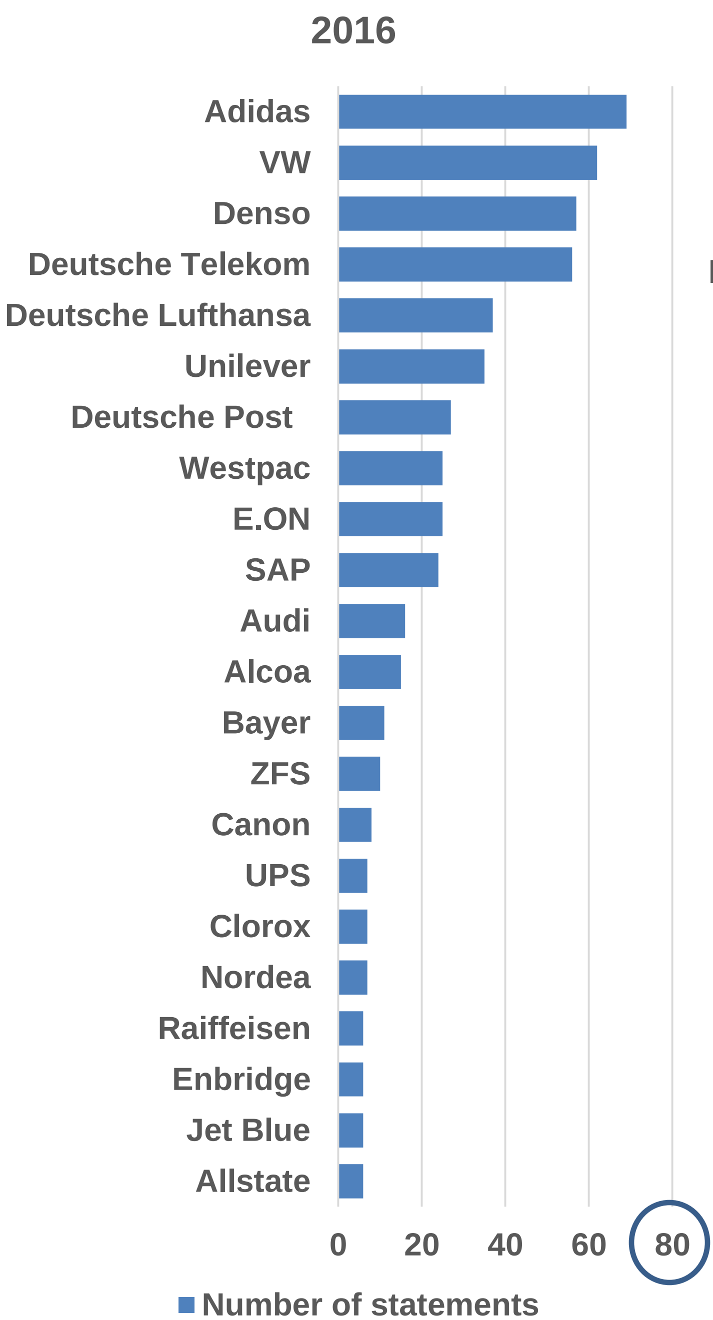
Strong increases were also visible for several other SDGs, including Responsible Consumption, Good Health, and Peace & Justice (a category which notably includes fighting corruption).

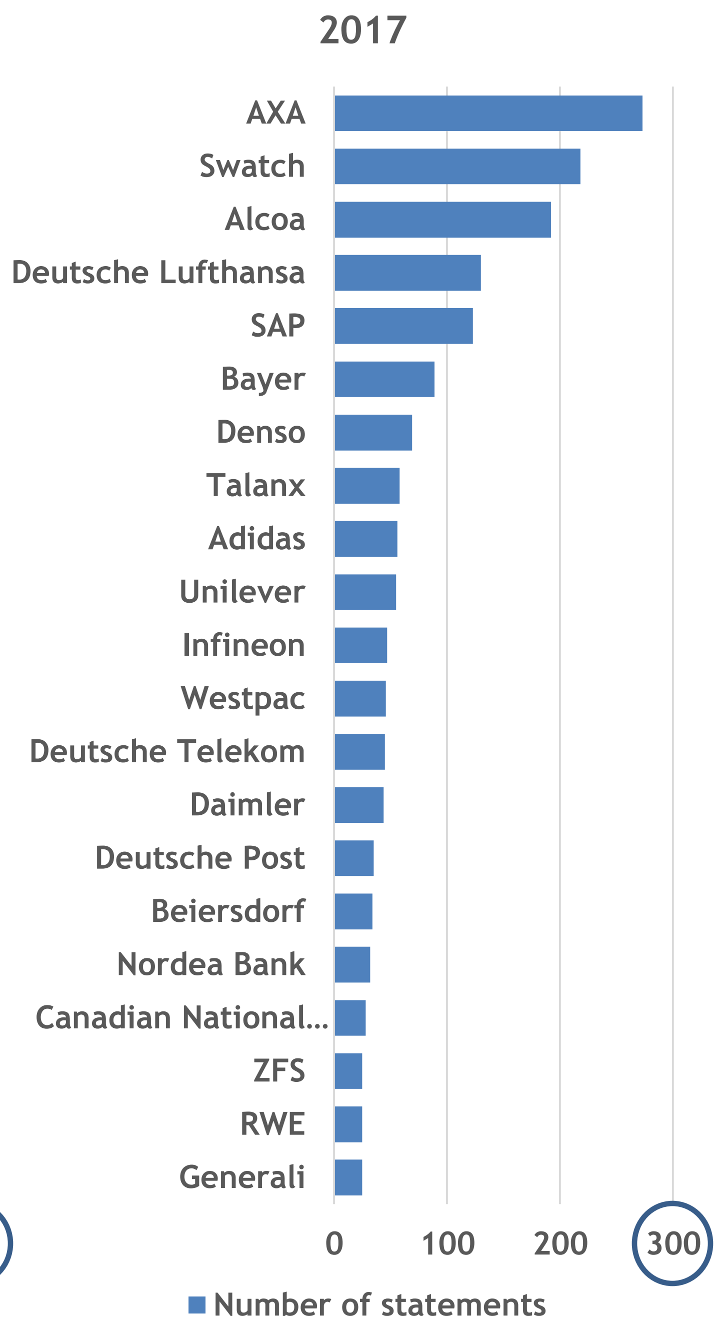
Despite the #MeToo movement, the increase in SDG visibility related to Gender Equality was somewhat limited.

Only one SDG saw a decrease in visibility, and this was barely statistically significant. Additionally the number of general statements on the SDGs remained constant as the number of statements on specific goals grew.

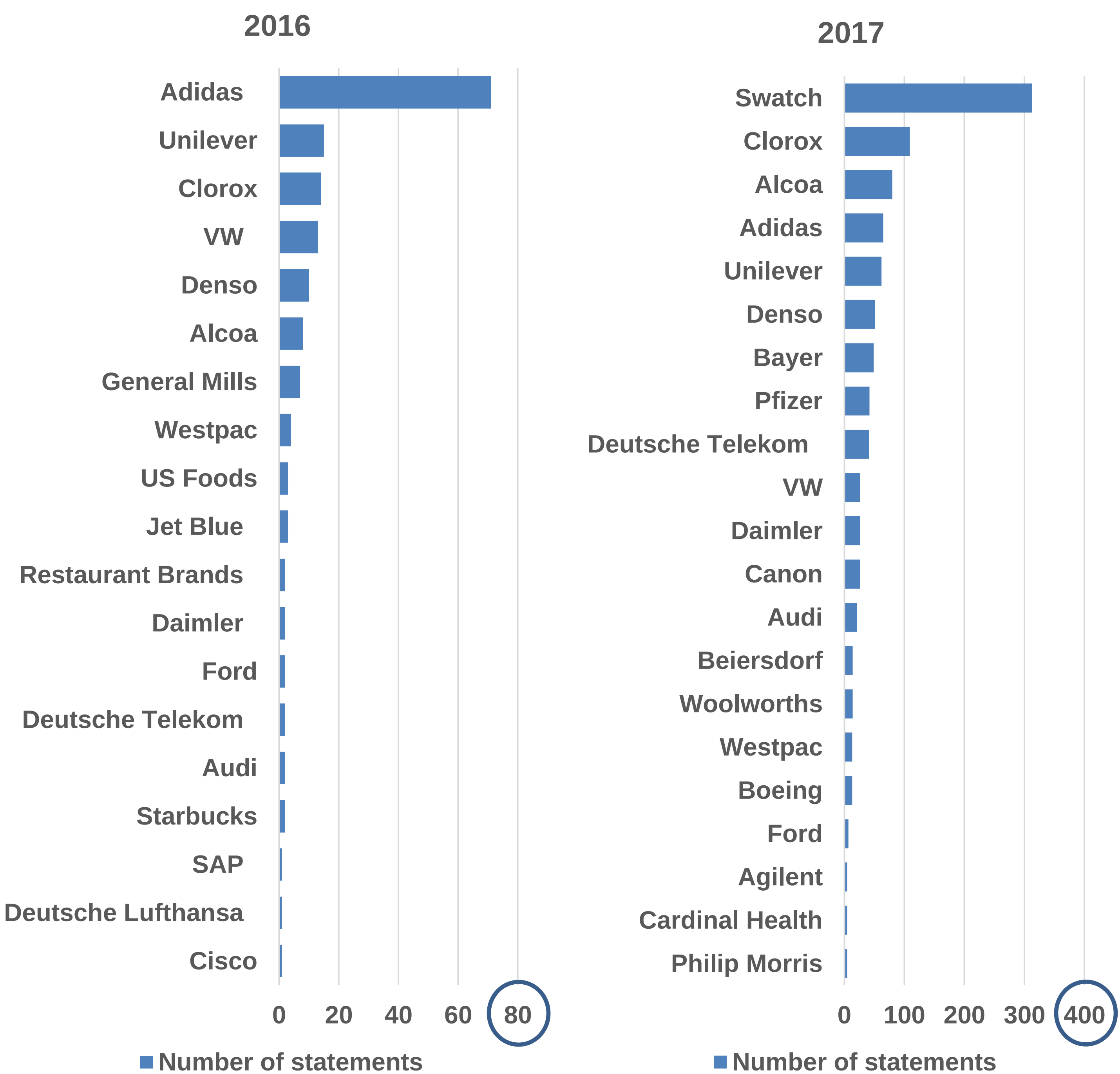
Some of the SDGs that most impact the poorest of the poor – End Hunger, End Poverty, and Quality Education -- were stagnant or saw a decline, which raises overall concerns about corporate willingness to address the needs of those without consumer power. However, this trend may change when the analysis group broadens.

SDG5: Gender Equality Concern Across Industries

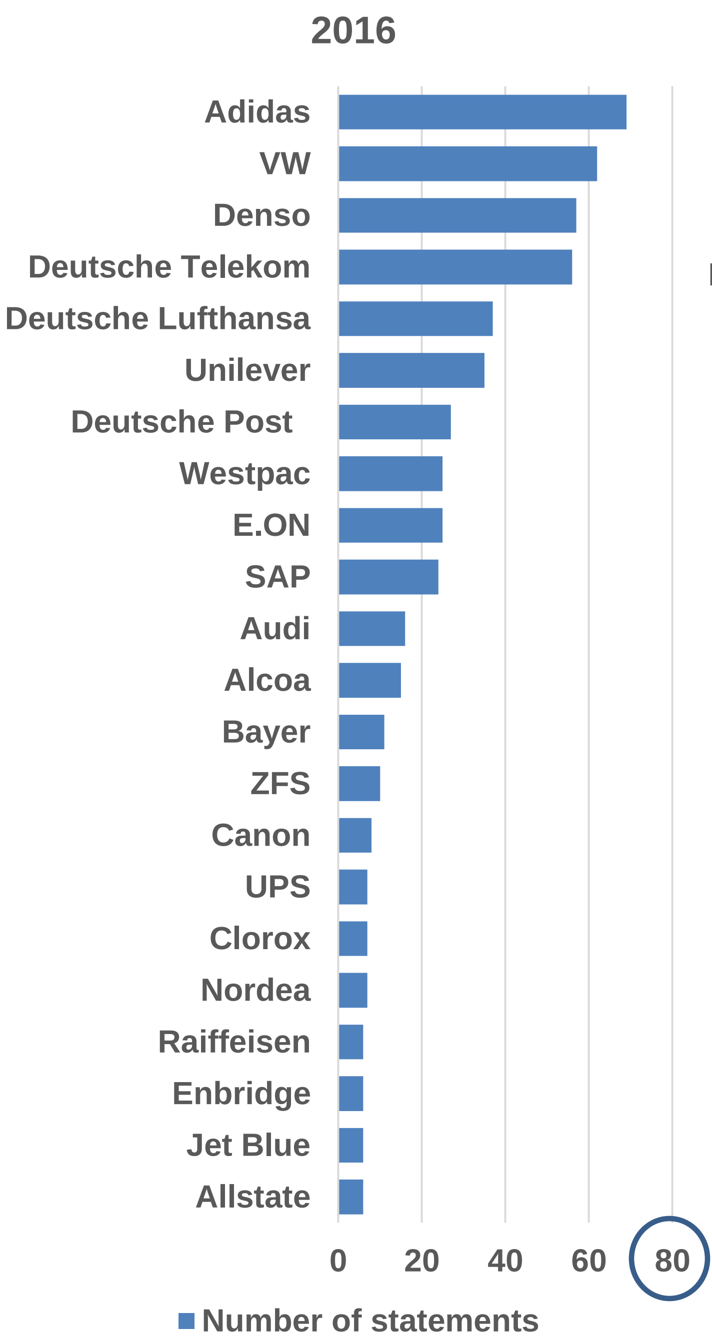


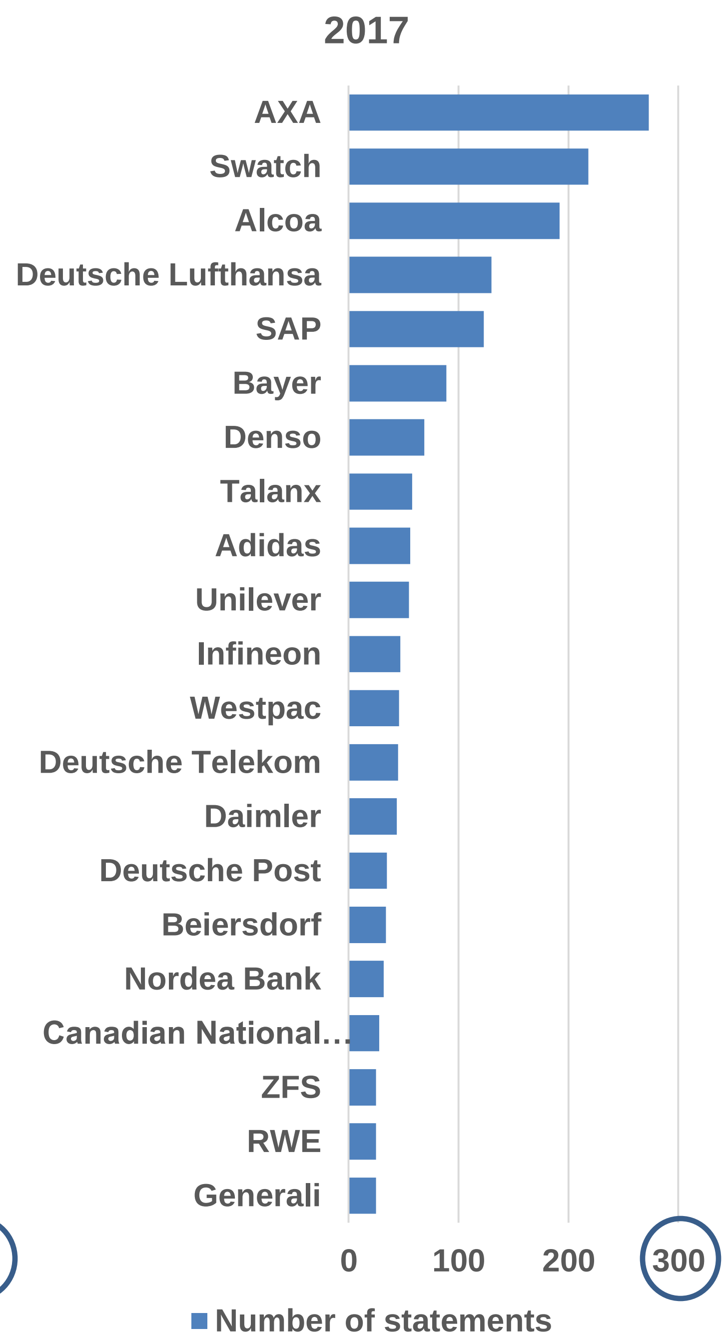


SDG12: Responsible Consumption
A New Way of Framing Capitalism



SDG13: Climate Action
Companies Recognize Urgency





This Sustainable Development Goals Commitment Report (SCR) is based on

UNGSII

400 of the world's largest companies with a combined market cap of more than 25 trillion USD out of which 300 disclose commitment to the SDGs

All 376,663 statements in 400 annual reports issued by these large corporations in 2016 were categorized by human analysts.

All 2,088,092 reports on these 400 companies from 2001 - 2016 in international business print media (e.g., FT, WSJ, Les Echos, Handelsblatt, etc.) were analyzed by human analysts.

All 1,097,967 quotes from 2001 – 2016 by financial analysts in international finance & business print media on these 400 stocks and more were analyzed by human analysts.

Methodology & Benefits of UNGSII Rankings: Creating transparency on the SDG-related disclosures of companies

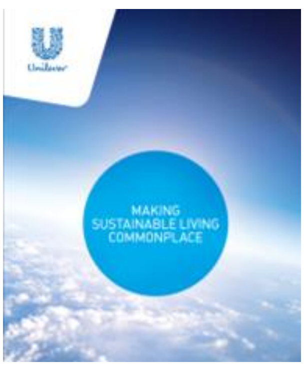
UNGSII

SDG/ESG
- UNGSII analysts read and categorize the annual reports of companies and central banks according to direct and indirect references to the SDGs

Media Impact
- Analysis of business media and how they report on these companies
- Direct/indirect references
- Compare journalists/other stakeholders vs. analysts

Analysts Impact
- Analysis of analyst quotations in key financial publications (WSJ, FT, etc.).
- Perception of financial and non-financial value drivers

Performance
- Stock prices
- Bond prices
- Sales
- Net Pro Score ™
- Employer rankings



UNGSII Accelerating the financial impact of the SDGs

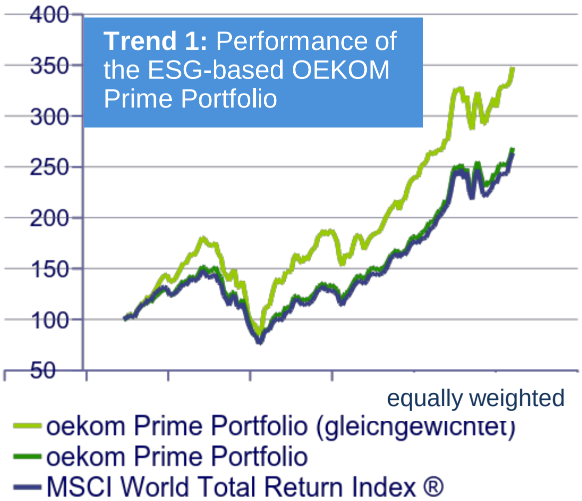
Creating transparency for investors, customers, and civil society

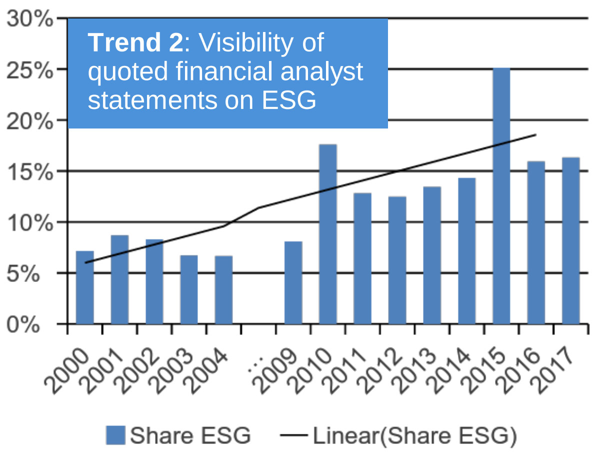
Supporting informed decisions

Enhancing the relevance of corporate reporting

Helping businesses to manage their reputation

UNGSII & OEKOM rankings and indices help move markets by empowering profits





The Problem until 2017:

Only 30-60% of a company's value is disclosed in it's annual report according to Professor Eccles of Harvard Business School and PWC. On top of this, the inability to compare non-financial performance as part of a consistent analysis framework is also missing for global investors. Over time, this has led to poor investment decisions that have repeatedly resulted in financial crises. The last one, in 2008, caused a major trust meltdown, due to poor governance and a lack of standards.

The Solution:

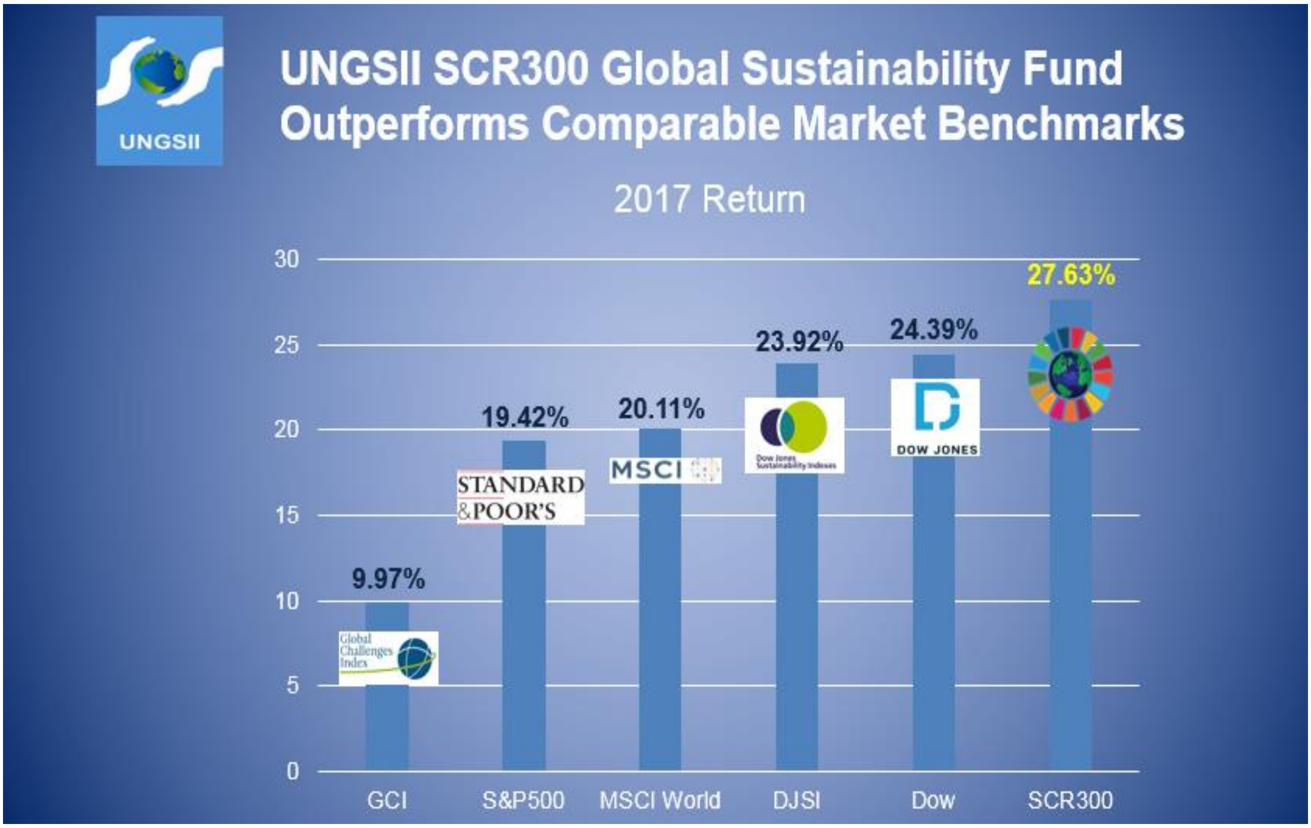
193 heads of state signed the SDGs on behalf of all stakeholders in September 2015. The UNGSII Foundation creates unique transparency on the progress of both countries and companies. Leading rating agencies like OEKOM prove that investing in companies with a track record in sustainable behavior (ESG) creates added value (see Trend 1). Combining UNGSII's curated analysis of global corporates commitments to the SDGs with due diligence upon their ESG performance, executed by OEKOM, helps investors make better informed decisions about the financial and social impact of their investments. Trend 2 indicates that financial markets embrace this concept. Trend 3's review of today's management being fired for lack of ethical commitment could transition to a review of tomorrow's CEOs being fired for their lack of commitment to the SDGs.

Source: Oekom research 2017, Media Tenor 2017, Strategy &, manager magazin

UNGSII SCR300 Outperforms Comparable Market Benchmarks

The UNGSII SCR300 Investment Fund's rate of return was 27.63%, more than three points higher than its closest competitor. This highlights that responsible, socially conscious business is also profitable business, providing unique opportunities for investors to move away from negative screening to SDG impact investment.

Because transparent responsibility and sustainability improvements are always possible for all companies, the multiple data sources and regularly updated nature of the UNSGII SCR300 means its companies are always at the forefront of the business and investing advantage offered by supporting the SDGs.



Creating a Methodology for Investing in a Portfolio of Socially Responsible Assets

by Joseph A. Cajigal, Conor Platt and Alfred R. Berkeley

UNGSII

Overview

There are numerous philanthropic financial initiatives. Many fail or become slowly ineffective. So why is this one worth your participation?

This new SCR initiative is global and particularly difficult; but is also unique in its approach. This initiative is a follow on to a failed initiative: specifically, the Millennium Development Goals promulgated by the United Nations in the year 2000. This new initiative is called the United Nation's Sustainable Development Goals for 2030.

The SDG's are the result of serious soul searching by senior United Nations officials, heads of states and their advisers. The Millennium Development Goals ("MDGs") were an initial set of goals that in some part have succeeded, but in many other areas were inadequate or poorly defined. Some of the goals were greatly affected by the financial recession of 2008, but the recession is not the only reason that the MDGs' were unsuccessful. The Millennium Goals failed because there was little to no accountability. Furthermore, there was close to no transparency into what was accomplished and what was not accomplished. Additionally, companies were able to claim compliance by purchasing the use of a United Nations logo without effectively moving toward sustainability.

There was plenty of blame to go around. Specifically, this new initiative is designed to fix those roots of failure.

The SCR brings accountability and transparency to the United Nations' ambitious Sustainable Development Goals for 2030 ("SDGs"). Understanding the complexities of operating within the United Nations bureaucracy, senior United Nations officers and advisors established a non-profit foundation outside the United Nations. Its charter is to bring positive attention to companies and countries that are genuinely moving toward more sustainable businesses, and to create financial instruments that enable investors to support these companies. Here is our approach:

Socially Responsible Investing Analysis

We analyze a global universe of stocks looking for high quality sustainable companies across all sectors and industries. The global universe that we utilize covers about 2500 issuers, and is updated on a quarterly basis. We use third-party sources as well as our own proprietary analysis to make investments decisions.

The assessment of the social and governance as well as the environmental performance of a company as part of the investment decision is carried out with the aid of over 100 social and environmental criteria, selected specifically for each industry.

We continually adjust the criteria to keep up with the latest developments and findings. As a leader in this type of analysis we are often trying to use quantitative measures of what are essentially qualitative topics.

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Proactive Industry Metrics

We specifically take a “best in practice” approach to ensure that all sectors and industry are represented, with higher thresholds for high carbon and controversial industries. On an annual basis, we analyze the quarterly and year over year changes of key sustainability & governance metrics by industry. We want to ensure that a current constituent is worthy of further inclusion. For prospects, we are looking for the leaders within an industry. One of our data partners has recently created an addition ratings system to assess a company’s product portfolios to calibrate their alignment to the UN SDG goals. We have incorporated this metric into our analysis and will be assisting in its expansion going forward.

In line with our goal of being an agent of change, we accept companies with average overall sustainability ratings, but with above average SDG scores relative to their industry peers. At the same time, we exclude any companies with severe violations against the UN Global Compact Principles or a low score regarding SDG compatibility of their product portfolio.

The resulting buying universe is a broadly diversified, global universe against which to apply our deeper SDG investment methodology. Importantly, fostering SDG goals in large multinationals should have a two pronged effect.

First to enable scaling sustainable strategies, and second to bolster the efforts of private companies to develop the next stage solutions.

Corporate Commitment Analysis

The corporate commitment factor is provided by UNGSII using leading media analyst Media Tenor's media sentiment data as a control system. It allows investors to see if companies are accurately representing their commitments to the SDGs.

Additionally, media sentiment data can help identify companies that are committed to the SDGs but not yet able to convey this information effectively to the media. Companies that are strongly visible on the SDGs in their annual reports tend to receive high shares of support in the media. If companies stress SDGs in their annual reports and the media sees a gap in reality, companies are likely to attract adverse publicity and subsequent negative reactions from stakeholders such as investors selling and consumers walking away.

The visibility and tonality of their statements and reports– in general and associated with the SDGs specifically – can help drive share prices up and down. This can be an important tool in predicting price fluctuations over time intervals.

It has been reported that a company with a consistently strong reputation on social development issues tend to benefit from lower borrowing costs and better scores in employee rankings.

UNGSII conducts a detailed audit of legally binding statements by the company incorporating SDG goals into their business practices, and hold them to account year over year. UNGSII analysts read and categorize the annual reports of companies and central banks according to direct and indirect references to the SDGs. A media Impact study is conducted analyzing the business media and how they report on these companies. Journalists and other corporate stakeholders' views are compared to the views of financial analysts and their perception of financial and non-financial value drivers. A corporate assessment ranking is made.

Financial and Investment Analysis

Financials represents the largest volume of data, combining publicly available financial forecast and historical data. We break financials down into the following Fundamental components: Growth, Earnings Revisions and Valuation. We also employ technical analysis focusing on Relative Strength, Trend and Momentum analysis.

We specifically look at the following criteria:

1) Fundamental prospects for growth – (i.e., measuring returns on invested capital, sales, and earnings)

2) Incremental changes in earnings prospects (i.e., observing earnings revisions)

3) Valuation – (i.e., using a variety of measures such as earnings, sales, enterprise value, book value, and free cash flow)

4) Price Momentum – (i.e., focusing on fundamentally-driven price momentum– isolating for the effects of size (i.e. large or small/mid cap-bias), style (growth or value), and risk (beta), and secondarily focusing on near-term mean reversion in price)

5) Relative Strength – (i.e., evaluating each stock versus its peers within a specific industry based on intermediate price movements)

6) Technical Trend – (i.e., evaluating each stock based on its intermediate to longer-term technical trends in price, liquidity and volatility factors)

Portfolio Construction

Using a proprietary factor weighted approach, we rank each company against the overall universe by Financials, Environmental, Social, and Governance data in order to ensure that portfolio constituents are truly committed to sustainable growth. In constructing the portfolio, we are guided by the work of Henry Markowitz's thesis "Portfolio Solution" (1952), William Sharpe's Capital Asset Pricing Model (1964), subsequent work by A.G. Becker and the paper produced by Gary Brinson et al "Determinant of Portfolio Performance" (1986). We employ current versions of Modern portfolio Theory which provided a framework for seeking to maximize returns at a given level of volatility.

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The focus of this analysis is on the historical relative and absolute risk in the portfolio - across multiple time frames and diverse market environments. When constructing the portfolio, the following key Modern Portfolio Theory statistics are analyzed and considered:

• Diversification - considering the number of holdings, security and sector weightings and country weightings

• Standard Deviation - measuring volatility or risk

• Upside and Downside Capture Ratios - measuring the portfolio' performance relative to a market index during specific periods

• Beta - measuring an asset's risk in relation to the market

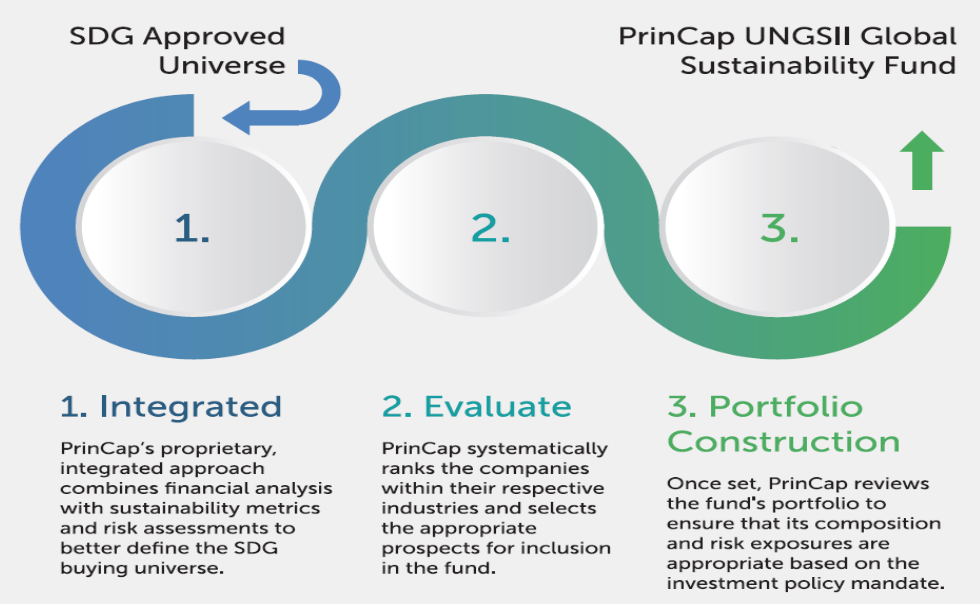
• Alpha - predicting incremental return from the portfolio when the market is stationary

• R-Squared - calculating the statistical measure representing the percentage of the portfolio's or security's movements

• Tracking Error - measuring of the standard deviation of the difference between a selected market index and a portfolio's quarterly returns

• Information Ratio - measuring of the risk adjusted return of the portfolio

Our portfolio will usually be comprised of between 250 – 300 constituents with a broad exposure to companies classified by varying style and market capitalization.



Final Thoughts

In summary, we are seeking your participation in this new UNGSII initiative because it is designed to incent companies to commit to Sustainable Development while it earns you a solid return on your investment. There are, of course no guarantees of good financial performance. Our approach is straight forward: we apply traditional investment rules to a select universe of companies that have committed to sustainability and implement their commitment in their business.

By pooling the resources of many investors, we mean to send a clear message to companies and governments that major corporations and world leaders must commit to sustainable activities and that the institutional investment community will invest in companies that commit to doing the right thing.

Sustainable development is on the cusp of taking off. We need your help in sending a clear, loud message. Join us.

How to work with UNSGII

Opportunities for impactful collaboration:

1) Contract the UNGSII Foundation to give access to additional data, or to have your portfolio analyzed with the same standards.

2) Send your asset managers to the Senior Executive Masterclass and become a certified SDG Expert

1) Join the UNGSII Best Practice Annual Global Goals Conference and Award Shows

https://commons.wikimedia.org/wiki/File:Graduation_hat.svg

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Contributors

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Al resumed the Chairmanship of the Firm in January 2013, a position previously held from 1996 to 2006. Al was President of NASDAQ Stock Market, Inc. from 1996 until 2000 and was Vice-Chairman until 2003. Prior to returning to Princeton Capital Management, Al was Chairman of Pipeline Financial Group, Inc. Earlier in his career, as a General Partner of Alex. Brown & Sons, Al served as a software analyst where he was designated a First Team All American analyst. He has served as a Director of a number of companies, institutions and non-profit organizations including Safeguard Scientifics, Comshare, Cognos, Webex Communications, ACI Worldwide, Realpage, Edgar Online, The Nature Conservancy, The World Economic Forum USA and Johns Hopkins University among others. Al has also served on a number of government advisory panels: The President's National Infrastructure Advisory Council, U.S. Department of Homeland Security Committee on Homeland Advisory System, Committees on Scientific Communications and National Security, Monetary Authority of Singapore's International Advisory Council, among others. He has testified before Congressional committees (Joint Economic Committee, House Homeland Security Committee, and House Permanent Select Committee on Intelligence). Al took his bachelor's degree from the University of Virginia and his MBA from the Wharton School and served as an officer in the US Air Force and the US Air Force Reserve.

JOSEPH A. CAJIGAL

Joe is the Chief Executive Officer of Princeton Capital Management' and is responsible for managing equity and balanced portfolios for clients. Previously, Joe was founder of Hudson Canyon Investment Counselors. Previously he was the Executive Officer responsible for the management of Fiduciary Trust Company International's ("Fiduciary") domestic mutual fund company, its non-U.S. mutual fund company and its registered broker dealer. During his tenure, he served as a member of Fiduciary's Management committee, Fiduciary's Executive committee, Division Executive for the Investors Services Division, President of its tax planning and compliance subsidiary and President of its New York Stock Exchange registered broker-dealer. Joe holds a BA degree in Mathematical Economics from St. Peter's College.