

A 1919 Series: The UN Sustainable Development Goals (“SDGs”)

Responsible Production and Consumption

At 1919 Investment Counsel, LLC (“1919”), our Responsible Investing team seeks investments that not only align with our clients’ financial goals and values, but also have a positive impact on society. This edition of our series on the UN SDGs considers the theme of Responsible Production and Consumption, which promotes economic growth while reducing resource consumption, minimizing negative environmental, human rights, and workplace impacts, and preserving the rights of future generations. The world currently consumes more resources than the planet generates; Responsible Production and Consumption is about achieving more and better with less, and transitioning toward a greener and more socially inclusive global economy. Here we explore the theme and a few investment examples.

Our full [SDG series](#) examines Clean and Accessible Water; Low-Carbon Future; [Inclusive and Diverse World](#); Responsible Production and Consumption; and Global Community. The United Nations’ 17 SDGs and 1919’s five impact themes complement our Responsible Investing research analysis, as many of the components fit into an environmental, social, or corporate governance category. You can learn more about incorporating ESG factors into an investment approach from our library [here](#).

RESPONSIBLE PRODUCTION AND CONSUMPTION

As companies work to design, produce, and deliver their products or services, their business decisions and activities impact a wide range of stakeholders, including employees, suppliers, local communities, customers, and shareholders. Companies have a responsibility to understand these impacts and to make their best effort not to contribute to human rights violations, labor disputes, or environmental problems. 1919’s Responsible Investing team seeks to invest in companies that are successfully managing the environmental and social risks associated with their direct activities and throughout their supply chain. Companies that align with our Responsible Production and Consumption theme are demonstrating positive efforts toward building a circular economy, adopting responsible sourcing or sustainable agricultural practices, and respecting global human rights and local communities.

Several SDGs relate to the theme of Responsible Production and Consumption. SDG 2; SDG 6; SDG 8; SDG 9; SDG12; and SDG 16 all suggest a focus on economic growth while protecting and preserving the environment, providing for basic human needs, and offering opportunities for decent work.



End hunger, achieve food security and improved nutrition and promote sustainable agriculture.



Ensure availability and sustainable management of water and sanitation for all.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



Ensure sustainable consumption and production patterns.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Each SDG, while ambitious, is underpinned by many actionable targets, which can be found [here](#). The COVID-19 pandemic has halted and, in some cases set back, progress toward achieving these goals. The pandemic, the climate crisis, and the rise in violent conflicts around the world (especially the war in Ukraine), are threatening further deterioration of progress. Urgent action is needed to reaffirm the SDGs and deliver meaningful improvements by 2030; in July 2022 the UN published a status update:

SDG 2 – Zero Hunger:¹

- The number of people experiencing hunger and food insecurity has been increasing. As of 2021, an estimated 1 in 10 people worldwide were suffering from hunger and nearly 1 in 3 were food insecure.

SDG 6 – Clean Water & Sanitation:²

- While there have been advancements in meeting drinking water, sanitation, and hygiene targets, current progress would need to increase fourfold in order to reach universal coverage by 2030.
- Agricultural and untreated wastewater pose the greatest threats to environmental water quality.

SDG 8 – Decent Work & Economic Growth:³

- Despite recent rebounds, the conflict in Ukraine may cut expected growth in real GDP per capita.
- Global unemployment is likely to remain above its pre-pandemic level until at least 2023.
- Between 2016 and 2020, the number of children engaged in child labor increased, amounting to almost 1 in 10. Many more are at risk of being pushed into child labor as a result of rising poverty due to the pandemic.

SDG 9 – Industry, Innovation, & Infrastructure:⁴

- Jobs in manufacturing have not rebounded to pre-pandemic levels; nearly 1 in 3 jobs in manufacturing supply chains worldwide have been negatively impacted.
- Higher technology industries have fared better and recovered faster than lower tech industries.

SDG 12 – Responsible Consumption & Production:⁵

- In 2020, approximately 13.3% of the world's food was lost after harvesting and before reaching retail stores. Roughly 17% of the food available to consumers was wasted.
- Of the 7.3 kilograms of e-waste generated per capita globally in 2019, only 1.7 kilograms was managed with environmental responsibility.
- Government subsidies that promote the production and use of fossil fuels are among the financial barriers hindering the world's transition to renewable energy sources.

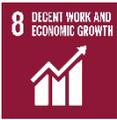
SDG 16 – Peace, Justice, & Secure Institutions:⁶

- In May 2022, more than 100 million people were forced to flee conflict, violence, and human rights violations and persecution.
- Globally, roughly 1 in 6 businesses have been asked to pay bribes to public officials.

INVESTING IN ACTION

Companies have an opportunity to help the world achieve these SDG targets through their operations, products or services, and interactions with stakeholder communities. Consider: How does a corporation reduce its reliance on and use of natural resources, both in its products and in its operations, and promote conscientious consumption? How does it address and minimize the impacts of its business operations and decisions on the environment, its workforce, and local communities? How does it support employment and decent work for all? Corporations can directly impact progress towards the SDG targets. For example*:

* These examples do not represent general investment advice or a recommendation of particular securities, and are presented to illustrate some of the factors considered in the Responsible Investing research process.



Promoting Sustainable Production: **Trex** manufactures eco-friendly composite decking, railing, and outdoor living products made from reclaimed and recycled materials. Highlights of the company’s work:

- Trex’s decks are made from 95% reclaimed and recycled content, primarily using two materials that are waste products of other industries: polyethylene (PE) plastic film and wood dust.
- Trex is one of the largest recyclers of plastic shopping bags. In 2021, the company diverted more than 1 billion pounds of PE film and reclaimed wood from landfills.
- More than 99% of process water at Trex’s Virginia and Nevada facilities is recycled. In 2021, the company recycled 16.5 billion gallons of water at its manufacturing sites.⁷
- In 2021, Trex expanded its production capacity and added approximately 400 employees to its workforce. The company launched a new Environment, Health & Safety strategy and administered safety training to 96% of Trex Residential employees.



Building a Circular Economy: **Advanced Drainage Systems** produces thermoplastic pipes to collect, transport, and release rainwater back into the environment. Details on the company’s work:

- Advanced Drainage is the largest plastic recycler in North America. During its fiscal year 2022, Advanced Drainage purchased 602 million pounds of recycled plastic to use in the manufacture of its pipe, chambers, and other products. The company’s products are fully recyclable at the end of life.
- The company’s water management products and solutions help keep waterways safe from pollution and prevent excessive storm water runoff.
- Water is not consumed in the pipe production process; however, it is used to cool down pipe products during production. Advanced Drainage uses a closed-loop water design in 87% of its pipe production facilities; water is recycled and reused multiple times in the cooling process.⁸



2030 IS FAST APPROACHING

Even as investors and corporations continue to look to the SDGs as a framework for impact, questions still loom. How can we get progress back on track and move forward given the continuing COVID-19 pandemic, climate crisis, and violent conflicts impacting our world? These obstacles offer opportunities to build recovery plans that reverse current trends and change patterns for the future, but urgent action is needed. What SDG progress will our global society have achieved by 2030? Our team continues to consider these questions and more, as we incorporate the SDGs into our approach to Responsible Investing for our clients. We invite you to continue to learn more about the SDGs, progress towards these goals, and our other impact themes in future articles in this series.

¹ <https://unstats.un.org/sdgs/report/2022/Goal-02/>

² <https://unstats.un.org/sdgs/report/2022/Goal-06/>

³ <https://unstats.un.org/sdgs/report/2022/Goal-08/>

⁴ <https://unstats.un.org/sdgs/report/2022/Goal-09/>

⁵ <https://unstats.un.org/sdgs/report/2022/Goal-12/>

⁶ <https://unstats.un.org/sdgs/report/2022/Goal-16/>

⁷ Trex Company, Inc. information from public company materials.

⁸ Advanced Drainage Systems information from public company materials.

About 1919 Investment Counsel, LLC

1919 Investment Counsel, LLC is a registered investment advisor. Its mission for more than 100 years has been to provide investment counsel and insight that helps families, individuals, and institutions achieve their financial goals. The firm is headquartered in Baltimore and has offices across the country in Birmingham, Cincinnati, Houston, New York, Philadelphia, San Francisco and Vero Beach. 1919 Investment Counsel, LLC seeks to consistently deliver an extraordinary client experience through its independent thinking, expertise and personalized service. To learn more, please visit our website at 1919ic.com.

1919 Responsible Investment Team

- 6 RI dedicated team members
- Comprehensive RI Committee Process and Investment Review considering Values, ESG factors and Impact
- 50+ years managing Responsible Investments

1919 Fixed Income Investment Team

- 6 FI professionals with an average of 15+ years of experience
- PM team implements tailored FI portfolios with the client's desired risk bands for duration, credit quality and yield
- Utilizes in-house research to recommend bonds based on appropriate relative value within client's mandate

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