

2024 must be the year of sustainable investment

By [Carl Roothman](#)

3 Apr 2024

By 2050, we'll need a total of three Earths to sustain our current standard of living. This is based on the Global Footprint Network's research that shows humanity is currently consuming natural resources 1.75 times faster than our planet can replenish them. So, 2024 must be a year of shared decisive action.



Source: Pxabay.

In 2020, global sustainable investment grew to \$35.3tn (R662tn) across five major markets. 2024 will be the year sustainable investing 'grows up', grows expansively, and convinces more stakeholders that deploying capital to creative, circular solutions and the most financially viable companies, is pivotal for our planet's future.

The Intergovernmental Panel on Climate Change says that it'll cost about 2-4% of global GDP (by 2050) to limit global warming to 1.5%. With humanity's future hanging in the balance, this seems a very small price to pay.

Why sustainable investing matters more now, than ever

Sustainable investment is one of the best, most innovative means to redeploy capital where it counts. Now is the moment to correct our global ecological overspending to arrest further depletion of precious shared resources. With this comes significant opportunity.

Investors play a pivotal part in choosing which companies to invest in. Additionally, asset managers have the responsibility to call out the laggards and champion the leaders. We're at the point where a business' sustainability agenda should impact its bottom-line.

Here are three focus areas for sustainable investing in 2024:

- **Climate change:** Munich Re found thunderstorms and earthquakes cost the globe about \$250bn (R5bn) last year. Additionally, the Christian Aid NGO found that the 20 costliest climate disasters of 2023 consistently impacted the globe's poorest populations – those least able to afford to rebuild – the most.

Developing countries – which also have less of a role in causing climate change – will be the hardest hit by food insecurity, water scarcity, infectious diseases, and loss of livelihood. Recent flooding in KwaZulu-Natal is evidence of this.

To move to a carbon-neutral world by 2050, we must justly transition to renewables. Right now, the financial sector is not pricing in climate-transition risk sufficiently. Due to a lack of a clear policy signal, many asset managers have adopted a wait-and-see strategy, meaning there will be no massive reallocation of capital.

This simply cannot continue to be the case. The net-zero transition calls for massive investment. The global grid alone needs to increase fivefold to support the more renewable energy. Now is the time for asset managers to 'back' the carbon winners of tomorrow.

- **Biodiversity loss:** This is the year we're likely to see significant increase in investments in companies contributing to combatting biodiversity loss.

The World Economic Forum (WEF) says over half the global economy – worth about \$44tn (R831tn) – is dependent on nature. Global pollinator population declines are impacting crop fertilisation, jeopardising world food security. The Food and Agriculture Organization (FAO) estimates about a third of all food is wasted annually. The World Wildlife Fund (WWF) documented a 69% average loss in mammal, bird, reptile, fish, and amphibian species from 1970 to 2022.

Moving to a nature-positive economy could unlock \$10tn (R190tn) in business opportunities and social returns, according to the WEF.

- **Human rights abuses:** Just 11% of companies actively monitor risks with their global suppliers, such as child labour or living wages, according to the Corporate Human Rights Benchmark. Regulatory shifts will probably prompt this to change at pace. The Corporate Sustainability Reporting Directive in the EU, for example, now requires large companies to disclose their impact on people and the planet.

Driving sustainable prosperity

ESG is a global megatrend. At Sanlam Investments, sustainability is part of our DNA. Our investments are rooted in making a meaningful impact towards a better future – environmentally, socially and from a governance perspective.

South Africa and Africa urgently need to tackle critical challenges such as energy-, food- and water security. We all need to share responsibility for safeguarding our resources and bolstering resilience in our most vulnerable communities. That's how we empower all Africans to be financially confident, secure, and prosperous.

It's not too late.

We can still course correct, but only if we act today. Asset managers and investors should be confident that they have a pivotal part to play in directing capital to where it'll have maximal impact in a future we need.

ABOUT THE AUTHOR

Carl Roothman is the chief executive officer of Sanlam Investments.

For more, visit: <https://www.bizcommunity.com>