Having recognized both the strategic importance and value of being a force for good, finance industry leaders are increasingly embracing supporting the SDGs as priority across their organizations, developing an increasing number of business cases that are allowing them to commit capital at scale in pursuit of the goals, with c.US$2.1 trillion in financing deployed in 2020. Further, leaders have publicly committed to spending a further US$9.5 trillion toward financing the SDGs over the next decade.

The Leading Financial Institutions are Committing Capital at Scale

The finance industry leaders examined for this initiative have committed a total of US$9.5 trillion of environmental and sustainability financing in support of the SDGs in the next decade, with c.US$2.1 trillion of financing deployed in 2020 towards various environment, climate change, and inclusion initiatives.

The industry’s focus on SDGs is growing rapidly, evident in the number of institutions that are explicitly setting sustainability targets and outcomes, publicly committing to the SDGs and to
achieving net zero emissions by 2050, measuring outcomes, and offering sustainability financing products and services (see Figure 34).

The total of US$9.5 trillion committed through 2030 is substantial. It reflects the commitment by over 86% of the leaders examined to the Paris Treaty and net zero, the SDGs, to measuring their impact and reporting it and offering sustainable financing products to their clients.

**Leaders are embracing the SDGs and re-aligning their businesses**

A substantial sub-set of the leading financial institutions explicitly target the SDGs, prioritizing specific SDGs, and measuring and reporting (in varying degrees) their commitments and the outcomes achieved, leading to a broader business reorganization aligned with the goals. A closer analysis of the 40 companies within the data set that are explicitly targeting the SDGs and providing the most detailed reporting on their sustainability financing commitments and impact targets reveals both the scale and the breadth of their engagement, with a broad array of goals targeted and significant commitments made in their pursuit.

These leaders appear increasingly aligned with the overall financing requirements for the SDGs, and are investing not only in the environment and climate-related SDGs, but also in the SDGs relating to human development and infrastructure, with both large scale investments to finance the energy transition and initiatives across health, education, financial inclusion, infrastructure, water and other areas which are being neglected by others, leading the industry in the direction of a more holistic approach towards financing the SDGs. The table below breaks down the financing by the 40 SDG leaders by allocating it to specific SDGs and/or categories. Mapping this financing to the SDGs reveals the areas of specified focus (green space), of general focus (grey space) and the goals which are currently not be targeted with spending (white space).

**Figure 34 - Comparing Focus by Leaders Across SDGs**
Note: 'Yes' response marked for SDG 16 indicates the institution has explicitly stated targets and 'Yes' response marked for SDG 17 indicates the institution actively partnering for the goals.

The total value of the commitment for most institutions is in the billions, reaches to the hundreds of billions for the largest companies.

Figure 35 - Comparing Commitments by Leaders Across SDGs

Note: 'Yes' response marked for SDG 16 indicates the institution has explicitly stated targets and 'Yes' response marked for SDG 17 indicates the institution actively partnering for the goals.
**SDG Funding Gap Remains High**

**The world is at the early stage of funding the gap**

The analysis described in Chapter 2 of this report points to a total funding requirement of US$11.6 to 14.2 trillion per annum. Hence, the commitment of US$9.5 trillion for the decade to 2030, and the actual spending of US$2.1 trillion during 2020, can only be the beginning of determining how to fund the SDGs. Importantly, this gap varies significantly across the four categories of SDGs with current spending priorities misaligned with the overall funding need as the figure below highlights.

**Figure 36 - Mapping Current Sustainability Financing to the Total Funding Gap for the SDGs**

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated Annual Funding Gap for SDGs</th>
<th>% of Total</th>
<th>Total Funding by Industry Leaders in 2020</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>US$1.6-2.0tn</td>
<td>21%</td>
<td>US$0.2tn</td>
<td>10%</td>
</tr>
<tr>
<td>Planet</td>
<td>US$1.7-2.3tn</td>
<td>23%</td>
<td>US$0.8tn</td>
<td>40%</td>
</tr>
<tr>
<td>Physical &amp; Virtual Infra.</td>
<td>US$3.2-3.7tn</td>
<td>40%</td>
<td>US$0.6tn</td>
<td>29%</td>
</tr>
<tr>
<td>Prosperity</td>
<td>US$1.3-1.4tn</td>
<td>16%</td>
<td>US$0.4tn</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>US$7.7-9.4tn</td>
<td>100%</td>
<td>US$2.1tn</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Decline in External Finance For Developing Countries in 2020**

US$0.7tn

**Total Developing Country SDG Funding Gap**

US$8.4-10.1tn

US$2.1tn

In addition, the categories of Peace and Partnership (represented by SDG 16: Peace, Justice and Strong Institutions and by SDG 17: Partnership for the Goals) do not appear to receive material direct funding from private sector financial institutions, nor have any of the previous cost estimates for the SDGs included these goals. This is due in part to both the absence of commercial business cases for these targets as well as to the geographic mismatch between large pools of capital and the countries where the need is greatest. More fundamentally though, these goals, in particular peace, are seen as prerequisites for the participation of much of the private sector financing institutions, rather than as an investment opportunity. For many institutions, risk factors like conflict, corruption and a weak rule of law represent insurmountable barriers for deploying capital, often particularly for those institutions with strong ESG policies prohibiting investments based on governance deficiencies.

**Stakeholders will need to work together to change priorities, make more SDGs fundable**

Three SDGs receive most of the private sector funding, climate change, clean energy and sustainable cities and communities, with least funding being provided to life under water, life on land and zero hunger.
A strategic perspective will be required if the mix of funding is to be balanced

When grouped into the four categories of SDGs, there are significant variations in the level of funding, with people and their prosperity receiving only approximately half the level of funding that flow into the planet and infrastructure categories.
While closing the SDG funding gap is not a responsibility of the finance industry *per se* (it is not their fiduciary mandate to do so), the leading institutions have recognized the importance of the industry’s role within a multi-stakeholder effort. While other stakeholders – individual investors who allocate the majority of global assets, governments who are responsible for fiscal policy and public investments, and corporations who are often the recipients of these investments – all have critical roles to play, the challenge of funding and the fact that the finance industry manages or controls most of the world’s capital, it is in the interest of the industry to lead in creating a holistic approach to financing the SDGs.

**Conclusions: Good progress but a collective solution is required as well as continued action by individual financial institutions**

Financial institutions that are aligning most strongly to the SDGs are also the most successful. The evidence is clear that there is a correlation between financial performance and alignment to the SDGs. It is reasonable to conclude that, by aligning as they have, the best aligned institutions have also lowered their risk profile relative to other financial institutions.

The overall volume of SDG financing is insufficient, and its allocation is imperfect.

- **The finance industry cannot provide the funding alone.** US$11.6-14.2 trillion that is required annually to fund the SDGs. Even if the entire finance industry was hypothetically investing the same ratio of the total assets into the SDGs as the 40 companies explicitly focusing on them profiled in this report, the total amount of annual implied SDG funding would rise to c.US$8.3 trillion.  

- **Climate itself needs more funding, but the other SDGs that are connected to climate also need to be funded.** The extent of focus is striking: c.44% of current funding is focused on climate change related goals when these two goals only accounting for c.22% of the total SDG funding requirement. This is to be expected given that a strong business case has been established for renewables and green investing. However, the climate targets are unlikely to be met if the other SDGs relating to uplifting the developing world economically and socially are not sufficiently addressed.

- **Most of the funding is going to climate transition in advanced economies.** This is natural but it leaves developing countries with greater shortfalls. While most institutions do not specifically indicate the location of their sustainability investments, it is apparent from the analysis of the disclosed information that most of the current spending appears to be allocated to advanced economies to fund their climate transitions.

- **Significant shortfall in funding for human, economic, and social SDGs.** The funding required to meet the SDGs related to People and Prosperity are chronically underfunded, accounting for c.40% of the total need, but only 32% of actual current funding by finance industry leaders. As the shortfall is unlikely to be made up elsewhere – from local government transfers, charities, government aid, international organizations, and other stakeholders – these goals stand to be unmet.
The current funding gap creates strategic risk for the finance industry as well as society more generally. This strategic risk has several components, including:

- **Transition Risk.** While finance industry leaders in 2020 deployed US$824 billion in renewable energy and low carbon investments, the industry as a whole also deployed US$750 billion to finance fossil fuels over the same period. While some of this funding is intended to support incumbent fossil fuel industries in their transition, not all of it can be justified in this way today and it would not take much for public attitudes to change such that all financing of fossil fuel industries is viewed as tarnished.

- **Perception risk.** Critics are increasingly alert to suggestions of “green-washing” and “SDG-washing” risk. It will become increasingly important to link sustainability financing to actual outcomes both to mitigate this risk and to align the financing better with the required investment areas and specific SDG objectives.

- **Legal Risk.** Sustainability and particularly climate change is becoming an issue of legal risk. A recent landmark ruling in the Netherlands held the oil and gas major, Shell, legally responsible for its role in the climate crisis, ordering it to reduce its emissions by 45% in under ten years. A recent legal opinion concluded that governments could face litigation over their export credit agencies’ continued financing of fossil fuel infrastructure and activities overseas. While financiers are one step removed from the producers of carbon emissions, it is becoming more widely believed that they too risk facing litigation in the future and so face similar risks to others in the future.

- **Fiduciary Risk.** As the allocator of capital equal to 83% of the world’s net financial assets, the finance industry in effect manages almost all the world’s wealth. As such, it will be called on to bear responsibility for managing the funding of most if not all its challenges. With the argument that investors have no wider responsibility than to generate returns being challenged by both their customers and shareholders, and the legal grounds for a broader mandate becoming clearer, the case for a fiduciary to act for stakeholders is set to emerge as a major issue.

- **Societal Risk.** As the most visible stakeholders in the financial system, the finance industry risks being held accountable by the public for any failures of the system overall. The Occupy Wall Street protests provide an example of broader economic inequality targeting financial institutions as a proxy for the system and this then became part of the populist agenda in a different guise. The finance industry risks being in a similar position today and is already beginning to be targeted by climate activists for their fossil fuel loan portfolios. Importantly, with social media amplifying public sentiment and the ability of individuals to act collectively, the risk institutions face can quickly go from merely reputational to existential, driven by mass movements to boycott businesses.

- **Regulatory Risk.** While finance industry leaders are stepping up efforts to fund sustainable development, the industry as a whole has done very little in this respect to date. If the industry fails to mobilize and develop funding solutions to be deployed at scale, it faces not only reputational risk, but the risk of increased regulatory and legislative action, with governments
stepping in to mandate actions that the industry is perceived to be unwilling to take on its own, not dissimilar to the regulations placed upon it following the Global Financial Crisis.

**Individual institutions will likely be impacted by the overall strategic risk for the industry.** The transition to a net zero world, and more broadly sustainable information age, is driving the rise and fall not only of companies but of entire industry sectors. While the finance industry will of course endure, many of its members may not, rising and falling with the sectors that they choose to back. Institutions will be defined by the extent to which they adapt to the new customers, financing models and products and services that will help facilitate this transition risk.

**The underlying problem is nevertheless collective not individual, and it needs a collective solution.** Individual institutions can and will make decisions what they see to be their own and their customers’, shareholders’, and clients’ best interests. Further, opportunities to make money will tend to be greatest in the more developed economies, simply because of their size. However, this report demonstrates repeatedly how the funding of the SDGs is an issue for all humankind. The existing political and economic structures are not on track to resolve this and a new blueprint for financing is required. Developing that blueprint is an urgent priority.

The leading financial institutions have made a substantial shift towards funding and measuring against the SDGs with many declaring this in their sustainability strategies. However, this is a multi-stakeholder challenge and time is running out, and with less than a decade left to meet the SDGs, a detailed blueprint is required encompassing various stakeholders to map the investments required to meet all 17 goals, the current investments in these areas (and therefore the additional funding needed), and the sources of capital for the gap. Such clarity on financing the SDGs could create a more comprehensive plan to fund the requirements. The next chapter considers the role of other stakeholders in this critical and growing challenge.