4. The Common Ground: Substantial and Growing Across the Industry

In 2020, the finance industry took a much larger role investing in a sustainable future, rising to meet the challenges created by widespread economic and social disruption. The common ground among leaders in the industry is expanding and encompasses commitments to aligning their businesses to ESG criteria, enabling inclusive growth, driving inclusive economic growth, and developing scalable climate solutions.

The 2021 Capital as a Force for Good analysis of the initiatives of 100 leading global financial institutions accounting for c.US$170 trillion of assets (or c.50% of the total assets owned, controlled, or managed by the finance industry) finds:

- 100% of leading financial institutions have ESG policies in place and 95% have integrated ESG into core business processes, with a majority of institutions defunding civilian firearms, child labor, coal mining, tobacco, and promoting behaviors related to climate change, human rights, diversity and inclusion, biodiversity, and community, among others, with c.US$33 trillion in ESG integrated AuM

- 97% of leading financial institutions work with peers and international organizations through various forums and c.60-80% are members of UN-PRI, TCFD and CDP, moving the industry to a common set of standards that drive greater transparency and disclosure in ESG and sustainability financing
4. The Common Ground: Substantial and Growing Across the Industry

- 93% have stated their commitment to a multi-stakeholder approach to business, with 95% enhancing diversity, 85% seeing their employees as key stakeholders with engagement programs in place.

- 86% are supporting the Paris goals, with US$88 trillion of assets committed to net zero by industry leaders.

- US$2.1 trillion in sustainability linked finance deployed in 2020, across renewable energy and low carbon investments, green, social and sustainability bonds, and development finance, among others.

What Does it Take for a Financial Institution to be a ‘Force for Good’?

The ‘Capital as a Force for Good’ initiative defines ‘force for good’ in terms of the activities of financial institutions in three overlapping areas in the context of transitioning to more sustainable business models: (i) The adoption and integration of ESG considerations into business processes, ‘Mindful Conduct’; (ii) Driving sustainable development, ‘Caring for the Planet’; and (iii) Engaging deeply to drive value for other stakeholders, including employees, customers and others, ‘Compassion for All’, (see Figure 5).

Figure 11 - A Framework for Being a Force for Good and Delivering Impact

The analysis builds an overall assessment of the leading financial institutions and their activities and initiatives across the three categories to identify the common ground that is emerging amongst them, the areas where they are breaking new ground and the likely direction of travel for the industry, given the ability that leaders in the industry must influence change amongst other industry participants.

World’s Leading Financial Institutions Included

Summary of Research Process and Methodology, and Overview of the Dataset
In keeping with the mission to examine how the largest pools of capital are and can play an outsized role in allocating capital for good, this report examines the ongoing evolution of the largest allocators of capital, the finance industry, as a high potential force for good in the world, based on their commitments, actions, and initiatives.

The report analyzes the initiatives of the world’s leading financial institutions across ESG, sustainability, and broader stakeholder engagement, examining their development over time and the increasing priority of these activities within the respective organizations. It also examines the roles and lessons from the leading development finance agencies, a group of fintech innovators and the leading technology platforms that engage individuals.

This chapter focuses on the leading financial institutions, examining 100 financial institutions (up from 63 in 2020), with assets of c.US$170 trillion (up from c.US$100 trillion in 2020), representing an estimated 50% of total finance industry assets (up from 29% last year). Subsequent chapters draw on the insights from the engagement with the other stakeholders.

### Figure 12 - Total Assets and AUM of the 100 Finance Industry Leaders Analyzed in this Report

<table>
<thead>
<tr>
<th>Numbers in US$tn</th>
<th>Banks</th>
<th>Asset Managers</th>
<th>Insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>30</td>
<td>49</td>
<td>10</td>
<td>89</td>
</tr>
<tr>
<td>EMEA</td>
<td>46</td>
<td>7</td>
<td>13</td>
<td>66</td>
</tr>
<tr>
<td>Asia</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>63</td>
<td>25</td>
<td>171</td>
</tr>
</tbody>
</table>

In keeping with last year’s report, c.30 of the largest financial institutions in the world were active participants in the Capital as a Force for Good Initiative, representing c.US$70 trillion in total assets, or 41% of the total data base and c.20% of total global financial assets. These institutions actively contributed to the report’s underlying dataset, providing additional information, and engaging directly with the project team on their activities and initiatives during the year.

### 1. ESG is Increasingly Embedded in Core Business Strategy, Mindful Conduct

**ESG considerations are now closely integrated into core business strategy and practices**

All the leaders in the finance industry examined in this study have continued to publicly affirm their commitment to ESG, have adopted ESG (or similar) policies and practices and have provided regular reporting to their shareholders on ESG matters.

The industry has firmly embedded ESG policies into day-to-day business operations; 97% of institutions have also established detailed ESG frameworks (or management systems) and 96% track detailed ESG metrics and performance indicators. 95% of institutions screen new business
opportunities for ESG risks and 92% conduct additional due diligence on those perceived to have a higher degree of risk.

Leading financial institutions have additionally committed to transition to more sustainable business practices; 83% of the financial institutions measure environmental and social outcomes from investments and 76% have sustainable portfolio balance targets, which includes targets to reduce exposure to non-ESG compliant assets, sectoral caps, and caps on exposure to carbon-emitting activities (for example).

There is meaningful progress in managing the transition from the older non-ESG compliant mode to the new ESG based one. 64% of financial institutions have targeted specific sustainability outcomes from loans and investments and 66% have decided to divest from non-ESG compliant assets.

The flip side is also true, 36% of financial institutions have yet to target specific sustainability outcomes from loans and investments, and 34% have not yet decided to divest from non-ESG compliant assets. And 17% of the financial institutions do not yet measure sustainability outcomes from investments, while 24% do not have sustainable portfolio balance targets for their investments including sectoral caps or caps on exposure to certain activities.

*Exclusions are moving from a ‘compliance’ tool to a mechanism to accelerate the energy transition by de-funding heavily polluting industries*

The leaders in the finance industry continue to update their framework with enhanced guidelines; c.64% of the companies have publicly disclosed exclusion criteria based on local and international compliance requirements (e.g., such as not financing forced or child labor, cluster munitions and activities that are banned under international conventions) compared to c.50% last year\(^{56}\).
Further, institutions in the finance industry have taken a leading role in accelerating their own operations and clients’ transition to a net zero global economy by implementing various restrictions for high-emission sectors. The leaders are increasingly committed not to finance, and/or have put significant restrictions on financing, sectors with significant climate or other impacts they perceive to be negative, such as thermal coal mines and power plants (c.64%), oil and gas exploration in the Arctic circle (45%), shale gas production (41%), oil sands development (39%), and nuclear power plants (39%).

**Figure 14 - Business Activities the Finance Industry is Trying to Restrict Through Exclusions**

While institutions continue to restrict activities that they believe to be harmful - such as tobacco products (64%), production of civilian firearms (56%), gambling (31%), violation of indigenous peoples’ rights (25%) and wildlife products regulated by CITES (25%) – there is not an alignment of the priority of these activities. Given that not all financial institutions publish exhaustive investment exclusion lists, the actual percentage of institutions that follow the compliance standards on these items may be higher than the disclosure levels captured would indicate.
Climate change, inclusion and diversity, and data security are at the forefront of ESG factors

Global events in 2020 have brought climate-related risks, racial equality, and data privacy to the forefront. Financial institutions are increasingly integrating these considerations into investment and business decisions, seeking to achieve attractive financial returns alongside positive environmental and social impact.

Many finance industry leaders remain focused on confronting environmental risks while evaluating transactions, such as climate change (86%), pollution (56%), biodiversity (52%) and carbon intensity (48%). Further, following the intensification of racial equality movements across the world over the last year, 85% companies conduct enhanced diligence for investments with potentially heightened human rights risk and 83% evaluate a counter-party’s policy on inclusion and diversity.

Leading financial institutions have also become focused on safeguarding client information to retain customers’ business and trust while maintaining the financial institutions’ reputation for integrity. Companies are evaluated for data protection and privacy (69%) and cybersecurity (60%) to protect misuse of client and employee data, unauthorized disclosure and meet regulatory requirements.

Figure 15 – Key ESG Factors Considered by Financial Institutions
These substantial positives also imply that for many institutions issues like carbon intensity (52%), biodiversity (48%), pollution (44%) and cyber security and data privacy (40% and 31%) are yet not a priority. Moreover, the tightening requirements across many key ESG factors risks reducing private sector inflows into otherwise commercially viable development projects, particularly in least developed economies where local conditions have yet to catch up to the rising bar to funding being employed by the (private sector) finance industry.

*Participating in international associations that are helping to define a common set of standards for ESG and sustainability financing*

Leaders in the finance industry have indicated through their actions their belief that, along with their clients, they will need to undertake a massive global collaborative effort to effectively advance the goals of the Paris Agreement (with 86% publicly committing their support its 2050 targets). These international institutions are working directly with finance industry leaders to embed climate and sustainability issues at the strategic, portfolio, and transactional levels, across all business areas, and to help establish a common set of standards and increasing transparency through disclosures of climate and emissions data.

The finance industry’s leaders are actively participating in major climate and sustainability related associations such as the UN’s Principles of Responsible Investing (UN-PRI) (80%), the UN Global Compact (60%), the Sustainability Accounting Standards Board (SASB) (43%) and UN’s Principles of Responsible Banking (UN-PRB) (28%) to partner with peers and other organizations to effect real change on climate change and structural inequity.

Over and above the SASB, companies have also adapted reporting standards from the Task Force on Climate Related Financial Disclosures (TCFD) (68%) and the Carbon Disclosure Project (CDP) (59%) to create a voluntary, consistent, global framework for providing emissions information to investors, lenders, insurers, and other stakeholders.
This progress means that, even among leading financial institutions, 20-40% that have yet to sign up to collaborating in international associations such as UN-PRI, TCFD and CDP.

**ESG investing strategies and ESG-integrated AUM with built-in ‘positive screening’ is growing rapidly, while strategies using only ESG exclusions are falling**

Finance industry leaders do not take a ‘tick-the-box’ approach. ESG exclusions (or ‘negative screening’) are used alongside an ESG lens for business and investment decisions with a view to creating sustainable and inclusive long-term growth. Institutions have focused more on differentiated responsible investing strategies including ‘positive screening’ for companies that add value from an ESG perspective, sustainability themed impact investing, active ESG-integration, and corporate engagement and shareholder action.

Assets under management utilizing ESG integration across the industry increased to c.US$25tn at the start of 2020 (vs. US$18tn in 2018), growing at 28% in the last two years. Assets under management utilizing corporate engagement and shareholder action across the industry increased to c.US$11tn at the start of 2020 (vs. US$10tn in 2018). Meanwhile, assets under management utilizing only a strategy of negatively/exclusionary and norms-based screening have reduced to US$19tn and US$4tn.
respectively (vs. US$19tn and US$5tn in 2018), declining by 24% and 12% respectively in the last two years.

The finance industry leaders included in this report have actively integrated at least US$32.6 trillion in assets under management (or 19% of their total owned and managed assets vs. 12% in 2019) by consciously incorporating key ESG factors into investment decisions to help drive positive environmental, social, and economic impact. This represents a significant portion of the estimated US$35 trillion of global sustainable investing assets.$^{57}$

The 100 leaders in the data set have contributed to US$4.5 trillion of the total ESG and impact funds. Further, the global racial equality movement through the second half of 2020 has led to commitments of over US$32 billion$^{58}$ by leaders in the finance industry to support minority owned businesses.

While this is meaningful progress, it is also clear that across the industry, for the 100 financial institutions examined, US$15 trillion of AUM has still not shifted from doing purely negative screening and US$4.1 trillion is still allocated based only norms-based screening, with a comparatively smaller portion, US$3.6 trillion, invested in positive screening, sustainability-themed, or impact investing strategies.
2. The Pandemic has Accelerated Funding for the Environment and Sustainability, Caring for the Planet

Total commitments to 2030 rose to US$9.5 trillion, and of that c.US$2.1 trillion was mobilized in 2020 for environmental, climate, sustainability, and inclusion themed investments by industry leaders.

Sustainability-linked financing is increasingly becoming a core business strategy for leaders in the finance industry, with several large industry leaders making trillion-dollar commitments over the next decade, and the finance industry leaders included in this report collectively mobilized over US$2.1 trillion of capital in 2020 for environmental and sustainability finance. The leaders represent a substantial share of the rapidly growing sustainable debt market, accounting for US$646 billion of green, social, and sustainability bonds issued.

In addition to sustainable debt, the industry leaders also mobilized financing for clean energy, clean transport, and sustainable housing projects, and for inclusion-linked investments in areas such as affordable housing, education, healthcare, economic and financial inclusion, racial diversity, workforce development and gender equality.

Figure 18 - Sustainability-Linked Financing Activity by Industry Leaders in 2020
Although the finance industry leaders have made significant strides in sustainability-linked and impact investments, these accounts for less than c.1% of total owned and managed assets by these institutions, suggesting significant potential to increase these further in the coming years. Given the extent of the funding gap for the SDGs and Paris treaty targets, existing commitments may well need to exhausted, and new, larger ones made, well before 2030.

**Industry leaders commit to Net Zero emissions by 2050, shifting from reducing their own footprint to a proactive approach to their customers and investments**

The Intergovernmental Panel on Climate Change (IPCC) has reported that effects of climate change could potentially be irreversible for centuries and are unequivocally driven by greenhouse-gas emissions from human activity. Even the most severe carbon emission cuts are unlikely to prevent global warming of 1.5 degrees Celsius above pre-industrial temperatures by 2040, a level that many scientists believe must be achieved to avert catastrophic climate change

The finance industry has adopted a high-profile approach to playing a leading role in helping drive the transition both in its own operations and its clients to a net zero global economy. 86% of the industry leaders actively measure their direct and indirect carbon footprints through the Greenhouse Gas Protocol Accounting and Reporting Standards (vs. 79% in 2019) as they build on rigorous efforts in recent years to actively reduce their own carbon footprints, finance and facilitate climate-transition themes and environmental projects, and reduce exposure to sectors with significant climate impact such as coal-fired plants and thermal coal mines. Following the various mitigation measures, direct emissions by finance institutions have reduced by c.17% and indirect emissions by c.28% over the last three years.

**Figure 19 - Change in Finance Industry Leaders’ Carbon Footprints**

![Graph showing change in finance industry leaders' carbon footprints](image)

- **86%** have adopted GHG protocol accounting and reporting standards to track CO2 emissions

<table>
<thead>
<tr>
<th>Firms have taken several steps to decrease their carbon footprint over the last four years*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numbers in mtc02e (metric tons of carbon dioxide equivalent)</td>
</tr>
<tr>
<td><strong>Scope 1</strong></td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>295,422</td>
</tr>
<tr>
<td>2,832,485</td>
</tr>
<tr>
<td>918,957</td>
</tr>
</tbody>
</table>

**Scope 1**: Direct emissions from owned or controlled sources  
**Scope 2**: Indirect emissions from the generation of purchased energy consumed by the reporting company  
**Scope 3**: All other indirect emissions that occur in a company’s value chain

*Source: The F4G Foundation, Capital as a Force for Good 2021 Dataset, capturing 14 companies with at least four years of consecutive GHG emissions reporting*
Further, the number of finance industry participants that have signed up to net zero commitments not only in their operations but in their investment and business portfolios has seen a step change during the past year. The total value of investment portfolios subject to 2050 net zero emission targets has increased from US$7.6 trillion in at the end of 2020 to US$88 trillion currently, an increase of nearly 12x, while the number of financial institutions analyzed in this report making net zero commitments increasing from seven to 40.

This rapid growth has been facilitated by the establishment of an increasing number of associations (many of them convened by the United Nations) designed to rally and align commitments from institutions from across the finance industry. While at year end 2020 there was only one association with members among the industry leaders tracked, the Net Zero Asset Managers’ Initiative, 2021 has seen the establishment of the Net Zero Banking Alliance, the Net Zero Asset Owners Alliance and the Net Zero Insurance Alliance, alongside significant membership growth in the asset managers initiative.

Finance industry net zero commitments have therefore quickly moved from being innovative initiatives to sitting squarely in the common ground of their force for good engagements. This trend is not limited to the finance industry. 137 countries around the world have now announced national net zero emission commitments, with 90% of them targeting 2050 for carbon neutrality, and an increasing number of countries enshrining their commitments into law. Further net zero commitments are expected to occur during the global COP26 conference being held in September 2021, with all countries also being urged to submit more ambitious targets for reducing emissions by 2030. Such targets are likely to create further opportunities for private sector capital and will trigger further commitments by financial institutions to fund targets and further reallocate global funds.

While there is a clear and growing consensus in the finance industry on the need for net zero, few institutions to date have formulated clear execution plans to reach these targets, raising questions around portfolio construction and balancing, around the timing, nature, and extent of defunding.
carbon emitting investments, and measuring, tracking, and monitoring of emissions across the portfolio.

3. The Pandemic and Racial Injustice Rallied the Finance Industry to Commit Nearly US$6 trillion to Support the Vulnerable, Stakeholder Engagement, Compassion for All

Large-scale relief efforts to support communities

In 2020, the finance industry’s leading institutions addressed the most pressing challenges faced by those in their communities hardest hit by the pandemic and by racial injustice. Financial institutions spent a combined US$7.6 billion in 2020 supporting various organizations and initiatives focused on addressing social and civic challenges across education, healthcare, disaster relief, and other types of community development interventions. Among their key efforts, leading financial institutions have spent over US$1 billion in efforts aimed at helping to drive racial equality and economic opportunity for individuals from minority communities, with a focus on employment, education, healthcare, and housing, as well as over US$500 million on community health related topics. Further industry leaders in the scope of this report have contributed over US$800 million to provide immediate, on-the-ground relief in the world’s hardest-hit communities and to support longer term economic recovery efforts, with Covid-19 relief programs have been among the largest disaster relief initiatives for several large financial institutions.

Figure 21 - Total CSR Spending and Key Focus Areas in 2020

<table>
<thead>
<tr>
<th>Illustrative Initiatives</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racial Equity Initiatives</td>
<td>US$1 billion</td>
</tr>
<tr>
<td>Fund for racial equity that provides capital and support to leading organizations addressing racial injustice, structural inequity and economic disparity.</td>
<td>US$270m deployed to organizations addressing racial injustice and the pandemic’s impact on communities of color.</td>
</tr>
<tr>
<td>Initiative to invest in black entrepreneurship, expand credit to communities of color and promote affordable housing in order to build long-term wealth.</td>
<td>Invested in 13 companies through $300 million Impact Fund, US$1+ billion in strategic initiatives by the end of 2023.</td>
</tr>
<tr>
<td>Setting up a foundation to fostering innovative ideas, to solve economic and social issues, and enable progress in underserved communities globally.</td>
<td>US$1.8 billion in grants for 8,000 nonprofits in 100 countries around the world.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Covid-19 Initiatives</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnered with community-based financial institutions to support those businesses and populations most impacted.</td>
<td>US$100 million in commitments for COVID-19 community relief and economic recovery efforts in 2020</td>
</tr>
<tr>
<td>Dedicated grants to organizations fighting hunger, supporting disease control and channeling financial aid to the most vulnerable people, particularly low wage earners.</td>
<td>More than US$900 million in 2020 in response to COVID-19, the related economic fallout due to the pandemic</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nutrition, Healthcare and Community Development Schemes</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support to organizations tackling social disadvantage issues such as domestic abuse, mental health, modern slavery, and employability.</td>
<td>US$32m funding to support c. 3,000 charities that help overcome complex social issues and rebuild lives.</td>
</tr>
<tr>
<td><em>Move for meals</em> campaign as part of organization’s commitment to support children’s health and provide sustained access to nutritious food.</td>
<td>Grants of US$5m to 22 hunger relief organizations worldwide, equating 50 million meals.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education and Skill Building Initiatives</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pathways to Progress* initiative, a job skills building initiative that addresses the persistent, global issue of youth unemployment.</td>
<td>US$320m invested in 6 years to address the skills mismatch and equip young people, particularly from underprivileged communities, with skills and networks</td>
</tr>
<tr>
<td>Future Workforce* campaign to invest in the educational success of underserved populations, and up-skilling and re-skilling individuals within the company’s footprint.</td>
<td>US$20 million multi-year commitment in support of vital educational and workforce development to academic and job training organizations</td>
</tr>
</tbody>
</table>

* For all four inderest that have publicly disclosed their corporate social responsibility and shareholder spending.
Source: The IFIE Foundation, Capital as a Force for Good 2021 Declar
It is worth noting that while Corporate Social Responsibility has been an important ingredient in addressing on-going and current issues, the amounts expended are overshadowed by the amounts committed to community financing for similar causes when the business case is clear, for example, a small business loan for a business impacted by the pandemic vs. charitable grants to organizations fighting the pandemic.

The new working model forced by the pandemic led to new mental and physical wellness programs to support employees during the pandemic

Heightened mental and physical health issues were a collateral damage of coping with the pandemic, with various reports pointing to 20-40% of the adults in the US and UK suffering mental health problems.

Leaders in the financial industry recognized the challenges faced by employees in remaining healthy and productive and maintaining a healthy work-life balance following the rapid transition from offices to a remote work environment and responded with various employee support initiatives including providing resources for both mental and physical wellness.

The resilience of an organization’s people has become an important criterion for success in the most advanced leading financial institutions. Prioritizing the well-being of employees in these unprecedented circumstances, 84% of the industry leaders have publicly disclosed mental health and/or mindfulness programs (vs. 71% in 2019) and 90% have physical health and wellness programs (vs. 77% in 2019). Several companies also saw increased employee engagement across wellness and stress management programs ranging from personalized resilience-building programs to counseling services and meditation classes designed specifically to enable employees to adapt more seamlessly to the realities of a new virtual work environment.

Figure 22 - Focus on Investing in Employees and Building Resilience by Industry Leaders

85% consider employees as a key stakeholder and have engagement programs and initiatives for employees

Key Employee Programs (Publicly Disclosed) (2020 vs. 2019)

<table>
<thead>
<tr>
<th>Mental Health and/or mindfulness programs</th>
<th>Physical health and wellness programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019: 71%</td>
<td>2019: 77%</td>
</tr>
<tr>
<td>2020: 84%</td>
<td>2020: 90%</td>
</tr>
</tbody>
</table>

Source: The F4O Foundation, Capital as a Force for Good 2021 Dataset
The industry continues to make progress on creating a more inclusive and diverse work environment, free of discrimination

Leading financial institutions have long acknowledged the importance and value of having a diverse workforce. As a result, they have promoted equity, diversity, and inclusion at the board level and across the workforce to drive their collective ability to innovate and deliver cutting-edge ideas, products, and services to their clients. 95% of the companies in the dataset have policies in place to increase diverse representation within their workforce (vs. 78% in 2019) from entry-level to senior management. Women make up c.47% of the employees at leading financial institutions, much higher than the representation in Fortune 500 companies, in which women comprise one-third of the workforce. Additionally, 34% of board seats were held by women at the leading financial institutions, higher than Fortune 500 companies, in which women comprise c.26% board representation. There is clearly further to go.

Leaders have committed to prioritize equity, equality, diversity, and inclusion and have acted with growing urgency to eradicate workplace discrimination and create a more equitable and inclusive work environment. 95% have disclosed policies to prevent discrimination against minorities (vs. 63% in 2019), 93% of the institutions have policies in place to prevent discrimination against individuals with disabilities (vs. 73% in 2019) and 90% have disclosed policies to prevent discrimination against individuals based on sexual orientation (vs. 82% in 2019).

**Figure 23 - Focus on Diversity and Inclusion in the Workforce by Finance Industry Leaders**

<table>
<thead>
<tr>
<th>Policy</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention of discrimination against people with disabilities</td>
<td>73%</td>
<td>93%</td>
</tr>
<tr>
<td>Prohibits discrimination against minorities</td>
<td>63%</td>
<td>95%</td>
</tr>
<tr>
<td>Prevention of discrimination against people based on sexual orientation</td>
<td>82%</td>
<td>90%</td>
</tr>
<tr>
<td>Increase in diverse representation across workforce</td>
<td>78%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Source: The F4G Foundation, Capital as a Force for Good 2021 Dataset
Finance Industry leaders have moved to a broader stakeholder approach, despite the challenges they see

In 2019 leading financial institutions participating in the Business Roundtable committed to a stakeholder interest approach beyond shareholder interests.64

Figure 24 - Finance Industry Leaders Commitment to Sustainability and a Multi-stakeholder Approach

Nearly 90% of institutions continue to pursue a multi-stakeholder approach

“We are targeting to finance and facilitate more than $2.5 trillion over 10 years to advance climate action and sustainable development. In addition, we are aligning key financing portfolios with the goals of the Paris Agreement and working with our clients to finance their decarbonization strategies – efforts that are intended to drive near-term actions that will help set the world on a path to achieving net-zero carbon emissions by 2050.”

Jamie Dimon, Chairman and CEO of JP Morgan Chase

“The world is moving to net zero, and BlackRock believes that our clients are best served by being at the forefront of that transition. We are carbon neutral today in our own operations and are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. No company can easily plan over thirty years, but we believe all companies – including BlackRock – must begin to address the transition to net zero today.”

Laurence Fink, Chairman and CEO of Blackrock

“2020 was an extraordinary and unusual year. We remain in the midst of a global public health crisis that has caused serious humanitarian and economic issues. There were a number of well-publicized events that led to a heightened and necessary focus on racial and social justice. These crises further emphasize the importance of Morgan Stanley’s commitment to bring our resources together to help ensure a sustainable and healthy future.”

James Gordan, Chairman and CEO of Morgan Stanley

“We assessed our sustainability and positioning with the group’s purpose and growth aspirations. The outcome was a commitment to apply a sustainability lens to everything we do: operationally; with our clients; and with our communities; with the aim of ensuring a cleaner, resource rich, inclusive world.”

Fani Titi, CEO of Investec

“Our ESG agenda cannot just be a separate layer that sits above what we do day to day. It is embedded in what we do... We recently took another step and committed $1 trillion to sustainable finance by 2030, aligning with the agenda of the United Nations’ Sustainable Development Goals.”

Jane Fraser, CEO of Citigroup

“Sustainability, in every dimension, is one of our top priorities... To do justice to the urgency and complexity of the challenges we face, we once again increased our sustainability efforts... We further emphasized the sustainability goals within our compensation structures and incentive systems for managers – especially members of the Board of Management.”

Oliver Bate, Chairman of Board and CEO of Allianz SE

“In December 2019, we announced our 10-year target of $750 billion in financing, investing and advisory activity focused on our two priorities of climate transition and inclusive growth... But then COVID-19 hit, markets plummeted and concerns grew that sustainability would lose steam. But, instead of slowing down, it actually sped up. A record of $732 billion in sustainable debt was issued in 2020.”

David Solomon, Chairman and CEO of Goldman Sachs

“One component of our management vision is “achieving sustainable growth by helping solve social issues”. In order to realize this vision, we need to break away from our existing business model and take forward thinking actions to reach a “Next Stage of Growth.”

Kentaro Okuda, Group CEO of Nomura
This was set to be a difficult commitment to fulfill given today’s financial system has evolved to serve shareholder interests. However, a recent report prepared by Freshfields Bruckhaus Deringer, a leading international law firm\textsuperscript{65}, examined the extent to which institutional investors can use their position to make a positive sustainability impact and whether the law supports this. The research found that, “while there are differences across the jurisdictions and investor groups, we analyzed, where sustainability impact approaches can be effective in achieving an investor’s financial goals, the investor will likely be required to consider using them and act accordingly.”\textsuperscript{66}

While corporate actions may not yet have fully aligned with their intent in all cases, if we follow the money, we find that major financial institutions have been making clear financial commitments beyond short term and direct shareholder return considerations. The next steps might include integrating stakeholder interests across corporate bylaws, director pay incentivization and governance policies. This may go some way towards public confidence in the commitments made and begin to change the mandate of fiduciaries. This is no doubt set to be a long and difficult transition for them given the opposing forces calling for the status quo and those calling for rapid and dramatic change, that they will face.

**Conclusion: The Common Ground Expanded, Raising the Bar**

Over the last year, the leaders of the finance industry have raised the bar for the common ground in terms of ESG, sustainability and stakeholder engagement practices. Financial institutions have increasingly integrated ESG considerations into investment and business decisions, and the sharp increase in various forms of sustainability financing, as industry leaders seek to achieve attractive financial returns while delivering a tangible environmental and social impact. There is a growing willingness to lead on major global issues including climate change, inclusion and diversity, and data security and in their CSR programs they have prioritized the pandemic and racial justice.

The analysis of the data on the leaders of the finance industry supports nine key conclusions on the substantial common ground for the industry that has emerged over the last year:

1. **96-97% have Integrated ESG Considerations Closely into Core Business Strategy.** For leaders in the finance industry, ESG is not a separate activity independent of day-to-day business operations. It has become an essential part of the long-term firm-wide strategy, deeply integrated into critical business and investment decisions with 97% of institutions establishing detailed ESG frameworks (or management systems) and 96% tracking detailed ESG metrics and performance indicators.

2. **95% have Polices in Place to Increase Diversity within their Workforce.** 95% of the leaders have policies to increase the diverse representation at the board level and across the workforce as they aim to get a broader range of experiences and skillsets to deliver more innovative products and services to clients.

3. **Over 90% of Financial Institutions Evaluate Specific ESG Risks and Conduct Extensive ESG Due Diligence.** Financial institutions have demonstrated their commitments to more sustainable business practices with 95% of institutions screening new business opportunities for ESG risks, and...
92% conducting additional due diligence on those transactions that are perceived to have a higher degree of risk.

4. **86% have GHG Accounting Protocols and Reporting in Place.** The majority financial institutions analyzed measure and report on their own greenhouse gas emissions with many setting ambitious targets to reduce their carbon footprints.

5. **84% of Leaders Have Focused on Mental Health Programs for Employees During Pandemic.** 84% of the leaders in the financial industry publicly disclosed mental health and/or mindfulness programs (vs. 71% in 2019), recognizing the challenges faced by employees to stay focused and maintain a healthy work-life balance in a remote working environment.

6. **70% of Leaders in the Finance Industry are Seeking to Drive the Energy Transition.** 70% of financial institutions in the dataset have committed not to finance (and/or have put significant restrictions on financing) various high-emission businesses with significant climate impact, including among others hydraulic fracturing, oil sands exploration, thermal coal mines and power plants, oil and gas exploration in the Arctic circle, and shale gas production.

7. **$88 trillion of Assets Committed to Net Zero Carbon Emissions.** 40% of the financial institutions in the data set have committed to net zero targets for the investment portfolios up from fewer than 10% in the previous year, indicating that rapid speed with which the commitment carbon neutrality has joined the common ground of the industry's engagement as a force for good.

8. **US$32.6 trillion of AUM have ESG Considerations Deeply Integrated.** The finance industry's leaders have moved away from the 'tick-the-box' approach of exclusion lists and 'negative screening', to now consciously incorporating key ESG factors related to resilience and sustainability into US$32.6 trillion of total AUM, representing c.19% of the total assets (vs. 12% in 2019).

9. **US$9.5 trillion of Sustainability-Linked Financing Commitments Have Been Made to 2030, of Which c.US$2.1 trillion Has Been Mobilized by Leaders in 2020.** The financial institutions in the dataset have committed over US$9.5 trillion to sustainability-linked financing in 2020 and mobilized US$2.1 trillion of that in 2020 across various forms of environmental finance and sustainability and inclusion-linked investments, indicating that environment and sustainability-linked finance is now a core part of the business strategy and offering for the finance industry, and not a 'nice-to-have' specialty activity.

The new market standard to be a leader in the finance industry has clearly moved to include (i) the adoption and deep integration of ESG standards and practices, (ii) leveraging the core business to drive financing for climate, sustainability, and inclusion financing solutions, and (iii) deep and meaningful engagement with various stakeholders including employees, customers, communities, governments, international organizations and others to create a more inclusive and sustainable financing ecosystem. The next chapter of this report will look beyond the common ground to the innovators and leaders who are pushing the boundaries of finance industry's engagement as a force for good. Their competitiveness points to the makings of a 'race to the top', with the largest financial institutions vying with one another for leadership on these issues based on the scale of the initiatives launched. The initiatives of leading financial institutions are raising the bar in terms of scale, scope
and innovation for what it means to be a force for good in the world, and therefore challenging the industry as a whole to follow them, expanding the common ground of the future.