IV. The Finance Industry: Funding Sustainability

As the stakeholders in the world's capital, the finance industry with c.90% in its custodianship has a potentially unique role to play in achieving the SDGs. Over the last three years, the Capital as a Force for Good report has analyzed a group of the finance industry’s leaders and their positioning across ESG, sustainability and stakeholder engagement to quantify the emerging common ground across the sector. The report also examines the boldest initiatives in these areas that are breaking new ground, setting the bar for the rest of the industry to meet and explores how that is defining the institutions and their performance.

1. The Common Ground: substantial and growing across the industry

The dataset analyzed to identify the common ground of finance industry leaders has grown in size and scope, covering companies representing cover half of the finance industry's total assets. The analysis presented in this section provides a benchmark of 125 leading global financial institutions across major global regions and industry subsectors, with assets totaling US$190 trillion. As in previous years, these organizations are not pre-selected on
the basis that they are a “force for good”. The breakdown of these institutions and their selection methodology are described in “Report Objectives, Research Process and Methodology” at the end of this report.

In keeping with the aim of examining how the finance industry is playing its role in allocating capital for good, this report analyses the commitments, actions, and initiatives of the world’s leading financial institutions across three main dimensions:

- **The adoption and integration of ESG considerations** into business processes to minimize any potential harm. The imputed values are Mindful Conduct.
- **Driving sustainable development through the core business** by channeling capital towards key SDGs. The activities denote Caring for the Planet.
- **Engaging a wider group of stakeholders** including employees, customers, communities, governments, civil society, and others. This implies values and behaviors showing Compassion for All.

Together these dimensions provide the framework within which the finance industry can act as a force for good in the world at a time of profound and multi-dimensional change.

### i. Deepening integration of ESG, “Mindful Conduct”

**A common ground has emerged with near universal adoption and integration of ESG into businesses practices**

There is now near universal adoption of ESG considerations among finance industry leaders with 100% of the institutions profiled having public commitments, policies, frameworks, metrics tracking and reporting, active screening, and diligence for ESG factors. ESG continues to deepen, with a significant majority explicitly targeting sustainability outcomes, providing ESG training, and implementing portfolio balance targets (such as sector caps), and in some cases actively divesting from non-ESG compliant assets.

**Figure 1: Adoption of ESG Policies and Practices by Finance Industry Leaders**
However, there is still further scope for improvement, with 42% of these financial institutions yet to start measuring sustainability outcomes, 40% still not looking to actively divest from non-ESG compliant assets, 33% yet to establish explicit sustainable portfolio balance targets for their loans or investments, and 21% not disclosing the ESG training that they provide to their employees.

**ESG-Integrated AUM declined, but a wide array of factors being considered, new factors such biodiversity, data privacy, and supply chain gained prominence**

The total ESG integrated AUM for the 125 finance industry leaders was US$30 trillion, or 16% of total AUM. In comparison, the 100 industry leaders analyzed in last year's report had total ESG integrated AUM of US$33 trillion, or 19% of total AUM, and on a like-for-like basis, the ESG integrated AUM of these 100 institutions decreased by 11% in 2021. The decrease can be potentially attributed to multiple factors, but increased scrutiny is a key driver, with more finance industry leaders auditing their ESG assets, often in response to increasing regulatory scrutiny, and hence raising the bar for their classifications. There is a high degree of alignment on the ESG factors being considered by finance industry leaders. Climate change (91% of institutions), human rights (86%), and ethics (78%) were the top environmental, social, and governance factors respectively being considered by financial institutions, similar to last year.

**Figure 2: Total ESG-Integrated AUM and Key ESG Factors Considered**
There are a variety of other factors whose importance has increased significantly over the past year. For example, biodiversity was cited as a key ESG factor by 67% of institutions this year (vs. 52% last year), data privacy and cybersecurity were cited by 76% (vs. 63% last year), carbon intensity was cited by 67% (vs. 48% last year) and supply chain management was cited as a factor by 45% (vs. 32% last year).

**Negative screening is being used to drive environmental and social objectives**

Of the 125 finance industry leaders analyzed, only 63% have publicly disclosed ‘exclusion criteria’ (vs. 64% last year and 50% in 2020) that restrict financing towards certain business activities which are deemed to be harmful. Most of these finance institutions are using exclusions largely to address compliance related matters such as child labor, cluster munitions, or businesses which were in contravention of international conventions.

A smaller subgroup is actively using exclusions to address environmental and social objectives. For example, 67% of institutions who have disclosed exclusion criteria are restricting funding for thermal coal mines, 41% are restricting exploration of the Arctic Circle; and 32% are excluding fossil fuel investments altogether. Some are also using...
exclusions to achieve health and social objectives. For example, 56% exclude tobacco and 37% exclude businesses that make or sell alcoholic beverages, or civilian firearms.

**Figure 3: Harmful Business Activities Being Restricted Through Exclusions**

### The Defunding of Environmentally Harmful Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thermal coal mines or expansion of existing mines</td>
<td>67%</td>
</tr>
<tr>
<td>New coal-fired power plants or expansion of existing plants</td>
<td>52%</td>
</tr>
<tr>
<td>Oil and gas exploration in the Arctic Circle</td>
<td>41%</td>
</tr>
<tr>
<td>Nuclear power plants</td>
<td>37%</td>
</tr>
<tr>
<td>All fossil fuel investments</td>
<td>32%</td>
</tr>
<tr>
<td>Hydraulic fracturing and oil sands development</td>
<td>30%</td>
</tr>
</tbody>
</table>

### Restricting Other Activities for Social and Health Objectives

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco manufacturing and distribution</td>
<td>56%</td>
</tr>
<tr>
<td>Projects that negatively impact UNESCO World Heritage Sites</td>
<td>41%</td>
</tr>
<tr>
<td>Production and sale of civilian firearms</td>
<td>37%</td>
</tr>
<tr>
<td>Manufacturing or distribution of alcoholic beverages</td>
<td>34%</td>
</tr>
</tbody>
</table>

(\% of Finance Industry Leaders that explicitly exclude or restrict investments in the following business activities)

*Source: Capital as a Force for Good Initiative*

However, there is clearly still a lack of alignment around these priorities, and based on the analysis above, the use of exclusions (beyond basic compliance-related matters), is not yet a common ground in the finance industry, with less than two-thirds of institutions disclosing their exclusion criteria in the first place. An even smaller subset, 20-40\% of all institutions analyzed, use these exclusions proactively to drive environmental and social objectives.

**Finance industry leaders are collaborating to define a common set of standards**

There is a large (and growing) number of industry collaborations in which the finance industry leaders are sponsoring and participating in, to establish a set of common goals, frameworks, and standards, notably the UN Principles of Responsible Investing of which 70\% of finance industry leaders are signatories of. However, their reporting systems are still evolving and voluntary in nature.

**Figure 4: Finance Industry Leaders’ Participation in International Associations**
### Finance Industry Leaders’ Participation in International Associations

<table>
<thead>
<tr>
<th>Association</th>
<th>Brief Description</th>
<th>Overall Membership</th>
<th>Membership from Dataset</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRI</td>
<td>World’s leading proponent of responsible investment which supports members in with &gt; US$100 trillion of AUM decisions</td>
<td>70% (88 out of 125)</td>
<td>84% (US$ 160 trillion)</td>
</tr>
<tr>
<td>Task Force on Climate Financial Disclosures</td>
<td>Develop consistent climate-related financial risk disclosures for use by companies, in 70 countries, 31 banks, and investors in providing core members information to stakeholders</td>
<td>66% (82 out of 125)</td>
<td>76% (US$145 trillion)</td>
</tr>
<tr>
<td>CDP</td>
<td>International NGO that aims to make 8,400+ companies environmental reporting a business norm, have disclosed driving disclosure, insight, and action towards a sustainable economy</td>
<td>65% (81 out of 125)</td>
<td>69% (US$131 trillion)</td>
</tr>
<tr>
<td>UN Global Compact</td>
<td>World’s largest corporate sustainability 13,000+ corporate initiative calling on companies across participants in sectors to align strategies and operations 170+ countries with universal principles of</td>
<td>55% (69 out of 125)</td>
<td>59% (US$113 trillion)</td>
</tr>
<tr>
<td>SASB</td>
<td>NGO which has developed a common 176 partners in sustainability accounting standards to financial industry standardise the ESG data financial firms using standards to measure ESG impact</td>
<td>50% (63 out of 125)</td>
<td>61% (US$116 trillion)</td>
</tr>
<tr>
<td>Climate Action 100+</td>
<td>Global investor initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary actions on climate with &gt; US$43 trillion AUM</td>
<td>46% (58 out of 125)</td>
<td>53% (US$100 trillion)</td>
</tr>
</tbody>
</table>

Source: Capital as a Force for Good Initiative

Organizations establishing climate and carbon related disclosures are seeing increasing participation, with Carbon Disclosure Project and SASB membership increasing to 65% and 55% this year, respectively (vs. 59% and 43% last year, respectively), on a larger sample size. However, this also means that 30-45% of the institutions have not yet signed up to industry associations like the UN-PRI and the UN Global Compact. While participation has increased in carbon disclosure related organizations, 34-54% of institutions have yet to sign up for TCFD, CDP, SASB or Climate Action 100, and many who have signed up have yet to declare scientific based targets for reducing portfolio emissions.

### Investing in sustainability, “Caring for the Planet”

Most finance industry leaders have committed to the Paris Agreement and Achieving Net Zero Carbon Emissions by 2050.
The November 2021 COP26 conference in Glasgow helped galvanize the finance industry’s commitment to achieving Net Zero emissions by 2050. Of the 125 leaders analyzed in this report, 84% of institutions with a total US$153 trillion of assets and AUM have publicly committed to achieving Net Zero (and/or the Paris Agreement goals more broadly). COP26 also succeeded in broadening the finance industry’s participation, and the newly created Glasgow Financial Alliance for Net Zero (GFANZ) has attracted over 450 members managing over US$130 trillion of financial assets, with its membership nearly doubling in the second half of 2021.

Figure 5: Membership of the Glasgow Financial Alliance for Net Zero (GFANZ)

Total Membership of the Glasgow Financial Alliance for Net Zero (GFANZ)

<table>
<thead>
<tr>
<th>Total Number of Members</th>
<th>Financial Assets of Members (US$ trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 November 2020</td>
<td>5 November 2020</td>
</tr>
<tr>
<td>160 April 2021</td>
<td>70 April 2021</td>
</tr>
<tr>
<td>450 November 2021</td>
<td>130 November 2021</td>
</tr>
</tbody>
</table>

Source: Glasgow Financial Alliance for Net Zero, Progress Report

The association has been highly successful at capturing the attention and commitment of the industry and using peer group competition in securing membership. The association also recognizes that having secured commitment, an important next step is to translate this into the very clear obligations of signing up in terms of tangible actions and the timing of these, and systematically move members towards driving the world to Net Zero emissions. GFANZ members are obligated to produce interim GHG reduction targets for 2030. While many members have announced targets, most have yet to publish tangible action plans on how these targets will be achieved. What is clear though is that these will require radically scaling direct funding for renewable energy production.

The expectations are that the scale and scope of actions that financial institutions can take will fall into three categories. At the most basic level institutions will need to achieve Net Zero in their own operations, and much sooner than 2050. The next level will be to reduce the ‘financed emissions’ by actively reducing exposure to emitting industries. And the highest level of action will be to proactively fund decarbonization solutions and engage in other collaborative action to drive decarbonization of high emissions sectors.
2021 was a record year for sustainability financing, with sustainable debt issuances doubling. However, 2022 is likely to see a contraction with a 27% fall in H1 2022

2021 was a record year for financing climate change and sustainable development, with the 125 finance industry leaders collectively mobilizing US$3.0 trillion in sustainable investments. In comparison, the 100 industry leaders mobilized US$2.1 trillion last year, and, on a like-for-like basis, their investments increased by 24% to US$2.6 trillion in 2021. Sustainable debt forms the biggest part of this financing, and there was c.US$1.6 trillion of new issuances in 2021, more than double of 2020. While green bonds form the largest portion of sustainable debt (c.40% of new issuances), social, sustainability, and sustainability-linked bonds have grown rapidly over the last year and nearly quadrupled in 2021.

Figure 6: Sustainability-Linked Financing Activity by Industry Leaders in 2021

Sustainability-Linked Financing Activity by Industry Leaders in 2021

<table>
<thead>
<tr>
<th>US$3.0 Trillion</th>
<th>Capital mobilised for environment finance and sustainability and inclusion-linked investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$1.2 trillion</td>
<td>Renewable Energy, Environmental Solutions and Low Carbon Investments</td>
</tr>
<tr>
<td>US$186 billion</td>
<td>Impact and SDG Funds</td>
</tr>
<tr>
<td>US$1 trillion</td>
<td>Green, Sustainable, Social and SDG Bonds</td>
</tr>
<tr>
<td>US$272 billion</td>
<td>Development Finance Funds</td>
</tr>
</tbody>
</table>

Summary of Capital Mobilised for Sustainability-Linked Financing in 2021 by Industry Leaders

Total Annual Sustainable Debt Issuance (US$ billion): 2013-2021

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29</td>
<td>68</td>
<td>88</td>
<td>145</td>
<td>242</td>
<td>315</td>
<td>577</td>
<td>763</td>
<td>1644</td>
</tr>
</tbody>
</table>

Source: Bloomberg NEF, Capital as a Force for Good Initiative

However, the momentum created for sustainability funding in 2021 appears to have faltered as tech stocks fell following Russia’s invasion of Ukraine along with the subsequent rise in oil prices, equity market collapse, and a rising interest rate environment. Total sustainable debt issuance has declined by c.27% in the first half of 2022 (vs. H1 2021) and while sustainable debt is expected to remain resilient and exceed US$1 trillion in 2022, total new issuances are unlikely to match the record levels they reached last year.

Funding financial inclusion, affordable housing, and community development
Over and above their sustainability-linked products, finance industry leaders are also looking to drive the SDGs through their core business by mobilizing c.US$345 billion in financing for affordable housing, small business loans, and other community development initiatives, in 2021, primarily in their local economies and communities.

**Figure 7: Community Financing Mobilized by Industry Leaders in 2021**

**Financing for Affordable Housing, Small Businesses and Community Development by Industry Leaders in 2021**

<table>
<thead>
<tr>
<th>US$345 billion</th>
<th>Total Community Financing Initiatives Mobilised in 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>278</td>
<td>Affordable Housing</td>
</tr>
<tr>
<td>60</td>
<td>Loans to Small Businesses and Minority Communities</td>
</tr>
<tr>
<td>7</td>
<td>Other Community Development Initiatives</td>
</tr>
<tr>
<td>345</td>
<td>Total Community Financing</td>
</tr>
</tbody>
</table>

*Source: Capital as a Force for Good Initiative*

However, in comparison to the total issuances of sustainable debt, these volumes remain materially smaller. Given the scale of the funding requirement for the SDGs, there is an expectation that finance industry leaders can increase this direct financing to drive the key economic and financial inclusion objectives of the SDGs.

Moreover, most of this financing is local in nature and hence not reaching the developing countries where it is needed the most. Hence, while it certainly helps alleviate poverty and inequality in local economies and communities, it does not substantively address the SDG funding gap for the development and inclusion related goals in developing countries.

**A continued focus on reducing their direct and indirect carbon footprint**

Measuring and reporting direct and indirect carbon footprint is now part of the ‘common ground’ for finance industry leaders with 86% of the institutions analyzed doing so in line with the Greenhouse Gas Protocol Accounting and Reporting Standards, in line with last
year (albeit on a larger sample size), and vs. 79% in 2020. With various conservation and mitigation measures, the industry leaders analyzed in this report have reduced their total direct emissions by 44% since 2018.

**Figure 8: Change in Finance Industry Leaders’ Carbon Footprints**

![Change in Finance Industry Leaders’ Carbon Footprints](image)

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

*Companies have taken several steps to decrease their scope 1 (direct), scope 2 (indirect) and scope 3 (value chain) related carbon footprint over the last four years*

Numbers in mtCO2e (metric tons of carbon dioxide equivalent)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>1,560,130</td>
<td>1,644,634</td>
<td>1,377,786</td>
<td>867,265</td>
</tr>
<tr>
<td>Scope 2</td>
<td>4,554,171</td>
<td>5,757,795</td>
<td>5,391,518</td>
<td>4,649,662</td>
</tr>
<tr>
<td>Scope 3</td>
<td>4,009,057</td>
<td>4,899,735</td>
<td>4,810,295</td>
<td>4,067,616</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

*Includes companies that have disclosed GHG data for the previous four years

Source: Capital as a Force for Good Initiative

However, the industry’s direct emissions (Scope 1) pale in comparison to their indirect portfolio emissions (Scope 2 and 3), and aggregate indirect emissions have been largely flat vs. 2018 levels (though lower than in 2019). As such, the industry appears to be making insufficient progress on the basic goal of reducing the carbon footprint of its own operations to Net Zero.

**iii. Delivering to multiple stakeholders, “Compassion for All”**

The finance industry is proactively engaging multiple stakeholders on a range of issues.
Since 2019 when leading financial institutions participated in the Business Roundtable committed to the interests of multiple stakeholders, beyond simple shareholder interests, 96% of finance industry leaders covered in this report have publicly committed to such an approach. Employees, customers, and local communities are the primary focal points; however, industry leaders are also engaging with their suppliers, industry peers, and policymakers.

![Figure 9: Finance Industry Leaders’ Approach to Multi-Stakeholder Engagement](image)

**Finance industry leaders’ approaches to multistakeholder engagement**

<table>
<thead>
<tr>
<th>Key Stakeholder</th>
<th>% of Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>91%</td>
</tr>
<tr>
<td>Local Communities</td>
<td>84%</td>
</tr>
<tr>
<td>Shareholders</td>
<td>82%</td>
</tr>
<tr>
<td>Customers</td>
<td>82%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>71%</td>
</tr>
<tr>
<td>Government &amp; Regulators</td>
<td>65%</td>
</tr>
<tr>
<td>Industry Peers</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Capital as a Force for Good Initiative

While most finance industry leaders have embraced a broader definition of who their stakeholders are, a smaller subgroup is proactively working with transnational institutions, national governments, and regulators to drive policy changes. Climate change, education, and healthcare are the main focus areas, with 31-36% of finance industry leaders having specific partnerships or engagements with policymakers with respect to these issues. However, some leaders have raised their ambitions and broadened their scope to include urban development and housing (22-24% of institutions), poverty and hunger (16%), and racial justice (16%).
Supporting local communities in times of adversity

In 2021, finance industry leaders analyzed in this report spent a total of US$8 billion across their corporate social responsibility (CSR) activities and philanthropic initiatives. The main areas of spend in 2021 were social welfare, pandemic relief, and diversity and inclusion.

**Figure 10: Total CSR Spending and Key Focus Areas in 2021**

<table>
<thead>
<tr>
<th>Social Welfare</th>
<th>Covid-19 Initiatives</th>
<th>Diversity &amp; Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Illustrative Initiatives</strong></td>
<td><strong>Illustrative Initiatives</strong></td>
<td><strong>Illustrative Initiatives</strong></td>
</tr>
<tr>
<td>• “Action for Racial Equity” that provides a commitment to strengthen the organization’s policies and practices to become an anti-racist institution</td>
<td>• “Covid-19 Relief and Recovery” to address immediate needs for COVID-19 relief while staying focused on longer-term economic recovery</td>
<td>• “The Diverse Leaders Program”, which holds sessions for women and ethnic minorities at mid-management level to build necessary skills</td>
</tr>
<tr>
<td>• Work with philanthropic partners to support educational equity to foster human potential</td>
<td>• “COVID-19 Relief Fund” created to help the world’s hardest-hit communities during the pandemic</td>
<td>• “One Million Black Women” campaign to address the dual disproportionate gender and racial biases that Black women have faced</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td><strong>Impact</strong></td>
<td><strong>Impact</strong></td>
</tr>
<tr>
<td>• Committed US$1 billion in strategic initiatives through 2023 to help close the racial wealth gap</td>
<td>• US$160m in COVID-19 and recovery efforts since the beginning of the pandemic with total contributions of $3m from employees to date</td>
<td>• 65% of participants have expanded their role or been promoted after attending the program</td>
</tr>
<tr>
<td>• 7 out of 10 student participants earned placement at leading universities; volunteers spent 50 hours performing online tutoring for students in English, math and psychology</td>
<td>• Deployed US$54m to more than 300 nonprofits across 31 countries</td>
<td>• US$10 billion in investment capital and US$100 million in philanthropic grants to narrow opportunity gaps for at least one million Black women in the next decade</td>
</tr>
</tbody>
</table>

Source: Capital as a Force for Good Initiative

However, while CSR is clearly an important part of addressing key issues, the amounts mobilized are far overshadowed by the amounts invested in sustainable financing comprising local financing for housing, small businesses, and community development where business cases are clearer.

A continued focus on employee wellbeing, diversity, and inclusion in the workforce
The 125 finance industry leaders analyzed in this report employ five million employees in total worldwide, of which or 2.5 million are women. However, only approximately one third of the board directors for these financial institutions are women, leaving clear room for further improvement.

The quality of human capital is perhaps the most important differentiating factor for financial institutions. As a result, finance industry leaders have been among those at the forefront of (i) initiatives to ensure diversity and inclusion in the workforce, and (ii) programs to improve both physical and mental wellbeing of their employees. Recent projections draw attention to women across all wealth brackets being set to inherit 70% of global wealth over the next two generations. This makes inclusion of women a business imperative too.

Figure 11: Focus on Building a Diverse and Inclusive Workforce

Focus on Building a Diverse and Inclusive Workforce

50% of the aggregate employee base across firms is comprised of women

35% of board representation across firms is comprised of women

Key Employee Policies Focused on Increasing Diversity and Preventing Discrimination (Publicly Disclosed) (2021 vs. 2020)

Prevention of discrimination against people with disabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prohibits discrimination against minorities</td>
<td>95%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Prevention of discrimination against people based on sexual orientation

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in diverse representation across workforce</td>
<td>95%</td>
<td>98%</td>
</tr>
</tbody>
</table>

Source: Capital as a Force for Good Initiative
iv. **Conclusion: Significant and growing common ground shifting to quality of action**

*A substantial common ground*

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. Financial institutions have increasingly integrated ESG considerations into investment and business decisions, and there has been a sharp increase in various forms of sustainability financing. There is a growing willingness to lead on major global issues including climate change, inclusion and diversity, and governance.

The analysis supports the following key conclusions on the substantial common ground for the industry that has emerged over the last year:

- **95% Participation by the Industry in International Associations.** There has been a proliferation of industry associations for ESG and sustainability, and a few of these are attracting a critical mass of members and emerging as the de facto industry standards.

- **92% have Physical and Mental Wellness Programs, 50% of Employees and 35% of Board Directors are Women.** The finance industry has been among those at the forefront of diversity and inclusion in the workforce, with clearly further to go.

- **86% of Industry Leaders Measure and Report GHG Emissions Annually.** It has become the market standard for large financial institutions to measure and report...
their direct and indirect emissions in line with globally expected standards, although
the industry has not significantly decarbonized their portfolios to date.

- **US$130 Trillion of Assets Committed to Net Zero by 2050.** Following COP26 in
  November 2021, there has been strong momentum with finance industry leaders
  committing to the Paris Agreement and Net Zero by 2050.

- **US$30 Trillion of ESG Integrated Assets, 16% of Total.** The share of ESG integrated
  assets has stagnated in the last year, as greater scrutiny is applied to the criteria for
  classifying assets as such, potentially putting at risks estimates of ESG integrated
  assets increasing to US$50 trillion by 2025.

- **US$3.0 Trillion of Funding for Sustainability Mobilized in 2021.** Last year was a
  record-breaking year for investments in sustainable debt with new issuances
doubling over 2020 to US$1.6 trillion. The market has moved beyond green bonds
  with an exponential increase in social and sustainability bonds too.

- **US$8 Billion of CSR Spend Focused on Social Welfare, Diversity, and Inclusion.**
  Industry leaders spent US$8 billion in 2021 on CSR and philanthropy in total,
  focusing on social welfare initiatives to in health and education, as well as various
  diversity and economic inclusion focused initiatives.

### Rising challenges to the industry

Following a plethora of announcements from the industry as leading institutions joined
various associations, committed to Net Zero and announced their ESG policies and
published impact reports, several issues have arisen for the industry to address:

- **Combating “Greenwashing”.** The now widespread adoption of ESG systems has led
to concerns around whether it is genuinely changing behaviors at these institutions
  or being used to put a ‘green’ or ‘sustainability’ wrapper around business-as-usual.
  For example, a recent analysis by Morningstar found that c.1,200 funds (or 20% of
  the total), with over US$1 trillion of AUM, no longer merit an ESG label, and national
  regulators and authorities have begun cracking down the misuse of ESG and
  sustainability labels by asset managers.

- **Slowdown in ESG Fund Flows and Sustainable Debt Issuance.** Following Russia’s
  invasion of Ukraine earlier this year, and the subsequent collapse in global
  technology stocks and rise in oil and gas prices, net fund flows to ESG funds and
  new sustainable debt issuances have both slowed down sharply in the first half of
  2022, indicating that allocating to tech was the easy decision and the difficult
  decisions to invest for impact are still ahead.

- **A Lack of Standards for Measurement and Reporting.** While some industry
  associations have emerged as standard bearers, there is still confusion about how
to incorporate ESG data, with fund managers citing it as the single biggest adoption hurdle. The main reasons cited in doing so are the lack of consistency in ESG scores, differences in disclosures, and constantly changing methodologies, among others, with the management of the resulting complexity becoming an increasing administrative burden for many institutions.

- **Current Financing Levels Remain Insufficient.** Addressing climate change and achieving Net Zero by 2050 alone requires US$4-6 trillion of new investments annually through 2050. With the other SDGs, the price tag increases to US$15-20 trillion of new investments per annum. Against this stark reality, even record level of funding in 2021 is woefully insufficient to address the challenges at hand.

- **Political Attacks Related to Fiduciary Duties and Fund Allocator Interests.** There has been a growing backlash against ESG from some political quarters, particularly in the United States. States with large oil interests like Texas have threatened to withdraw funds from asset managers looking to reduce their fossil exposure, while other states have prohibited their pension funds from using ESG screening at all.

In addition, an important risk factor on the flipside of the need for rigor in measuring and adhering to ESG is that when life is based on rules rather than principles, things can go wrong in more complex situations. And so, the strict adoption of a rigid rules-based approach to ESG with binary judgements on rankings will stop the flow of capital to the certain countries where governance standards are weak, but the need is the greatest, and these are often countries where the SDGs will be either won or lost for the world at large. This is a conundrum for the UN, national policy makers, corporations, and financiers to resolve.

**A higher quality common ground being established by a subgroup**

Much of the industry has now established the basic architecture for being a ‘force for good’, such as having an ESG policy and framework, diversity, and inclusion program, and publicly committing to multiple stakeholders and the Paris Goals.

Given that the 125 finance industry leaders analyzed here represent 50% of the industry in terms of assets and a significant majority in terms of market valuation, these are now the basic requirements to operate and be among the leader group in the industry, but the “architecture” is not a basis of differentiating, the quality and content are.

The analysis indicates that a subset of the industry leaders has and are pushing further than the rest to establish a higher ‘quality’ common ground which looks beyond ESG policies and inclusion programs, and differentiates them through:
- **Strategic use of ESG.** Using ESG exclusions to drive environmental and social objectives, rather than just for compliance purposes. c.20-40% of finance industry leaders are doing this.

- Targeting outcomes. Systematically targeting and measuring sustainability outcomes from investments, c.58% of finance industry leaders are doing this.

- **Deeper ESG integration.** Integrating ESG considerations into a larger proportion of assets in a meaningful (and auditable) manner, c.16% of finance industry leaders’ AUM are ESG-integrated, and these have declined by 11% in the last year.

- **Adopting science-based targets.** Leaders are also establishing science-based targets to back up decarbonization commitments, providing a clearly defined pathway to reduce GHG emissions.

- **Driving Net Zero portfolio outcomes.** Going beyond just ‘committing’ to Net Zero and taking tangible actions to reduce the emissions of their entire portfolios.

- **Scaling development and inclusion financing.** Scaling up sustainability financing, and in particular financing for the development and inclusion related goals in developing countries.

This increase in quality is a clear feature of what is a highly competitive industry, historically driven by a race to the top measured by positions in league tables and by a drive for efficiency and effectiveness internally. This shift to quality is also critical given the increased scrutiny of the industry as the world faces increasing threats and a desperate need to fund development issues. Successive years are likely to see a leadership group establish a higher operating standard for being a force for good.
2. Breaking New Ground and creating impact at scale

With ESG policies and practices having rapidly become the norm in the finance industry, the focus is now shifting to how financial institutions are tangibly rising to the challenge of achieving the SDGs, driving both funding and impact. Finance industry leaders are approaching this in different ways. Large, scaled global banks have made trillion-dollar commitments for sustainable financing to 2030, and are mobilizing large amounts of sustainable financing for climate and social development. Other leaders are focusing on finding innovative funding solutions for the more difficult and neglected goals. Some institutions, by virtue of their leadership positions in the segments they operate in, are driving direct impact by providing insurance or affordable home financing. Another strategy, being used increasingly by large asset managers is to look to convert assets, at scale, to sustainability, with some doing it through new ESG products, and others doing it by exercising their voting power on their investee companies. Leading private financial institutions continue to leverage their platforms to drive impact, pushing the boundaries of funding the SDGs, and working alongside multilateral development banks and development finance institutions, for whom financing sustainable development is part of the core mandate. Interestingly, some financial products are “naturally” designed to do good by serving communities or delivering essential much needed services.

i. Industry leaders’ SDG funding is on the rise, and increasingly broad based

Last year’s Capital as a Force for Good report examined 40 of the world’s largest financial institutions’ sustainability targets and funding to reveal both the scale and the breadth of their engagement, with a broad array of goals targeted and significant commitments made in their pursuit. Importantly the report had calculated that industry leaders targeting the goals had deployed a record US$2.1 trillion over the course of 2020.

Sustainability financing by industry leaders continues to grow

During 2021 the same group of companies have stepped up their engagement with the goals, deploying a record US$2.5 trillion, a nearly 20% increase on a like-for-like basis. The detailed breakdown of these leaders’ initiatives and commitments points to the increasing breadth of their engagement over time.

These leaders’ SDG focus during the past year has continued to diversify. While climate change and renewable energy continue to be areas receiving the most attention,
institutions are broadening their focus on SDGs relating to human development, prosperity, and broader planet related goals. The data shows institutional focus increasing across almost all goals, with a significant rise in engagement with SDG3 (Good Health and Wellbeing), SDG 4 (Quality Education), SDG 5 (Gender Equality), as well as SDG 14 (Life on Land), and SDG 10 (Reduced Inequalities), pointing to the fact that leaders have recognized the need for broader engagement with the SDGs, and have identified or developed a broadening set of engagement models to allow them to participate in their funding.

Figure 13: Finance Industry Leader SDG Engagement 2022 vs 2021

Finance Industry Leader SDG Engagement 2022 vs 2021

However, despite these increases, private sector engagement on the SDGs as a percentage of the total capital is still tiny and is highly skewed to a few SDGs backed by strong business cases and high returns potential, with three times as many institutions focused on SDGs like SDG 7 (Clean Energy) and SDG9 (Decent Work and Economic Growth), vs. the less popular goals such as SDG 2 (Zero Hunger) and SDG 14 (Life Under Water).

In terms of the actual funds deployed to specific SDGs during the past year SDGs, funding to virtually all goals increased, with only SDG 13 (Climate Change) and SDG7 (Affordable and Clean Energy) seeing absolute declines reflecting the greater diversification in finance industry leaders’ SDG spending priorities. The two goals’ share of total spending accordingly decreased from 40.2% in 2020 to 25.7% over last year.
The distribution of the increased spending maps closely to the increasing prioritization of key SDGs laid out above. The biggest absolute spending increases of US$146 billion and US$142 billion went to fund SDG 10 (Reduced Inequalities) and SDG 6 (Clean Water and Sanitation), respectively, while SDGs 5 (Gender Equality), SDG 3 (Good Health and Wellbeing), and SDG 9 (Industry, Infrastructure, and Innovation) received funding increases of US$60-80 billion each last year.

**Figure 14: 2021 SDG Funding Breakdown by Industry Leaders in US$ billion**

**Annual SDG Financing Mobilised by Finance Industry Leaders (In US$bn)**

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Finance industry leaders SDG financing is increasingly aligned with critical SDG funding gaps
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As previously stated, the total annual funding need for the SDGs has expanded to US$15-20 trillion annually, rising 30-40% year on year, faster than the private sector's spending increases of c.20%. As a result, the annual funding gap in developing countries now runs to total of US$11.4-15.0 trillion, with significant shortfalls across all categories of spending. The funding need of each category varies significantly with Planet related goals representing over 40% of the total funding need (given the higher estimated cost for meeting Net Zero),...
and People related goals counting for 16% of the funding gap.
The increasing diversification of finance industry leaders' SDG priorities is resulting in an alignment of their spending distribution across the different SDG categories, with the actual SDG funding need. In 2020, industry leaders' SDG spending was still highly concentrated on Planet related goals, at the expenses of People and Platforms spending needs.

During the past year, leaders have significantly diversified their commitments across the goals and have provided nearly equal amounts to Planet, Prosperity, and Platform related goals. As before, private sector financial institutions did not provide direct funding to the fifth SDG category, Peace and Partnership (SDG 16 (Peace, Justice and Strong Institutions) and SDG 17 (Partnership for the Goals)). Given these goals are commonly seen as prerequisites for the deployment of capital, rather than as direct investment opportunities in and of themselves, they typically fall into the remit of national governments to fund (partially augmented by direct foreign aid).

The diversification in spending points to the increasing sophistication of the private sector's engagement with the SDGs, and the critical role that private capital will play in funding them. While industry leaders clearly cannot fund all the SDGs and meet the gap on their own, a task that even if it was possible would require current spending levels to increase approximately five-fold by next year), they are becoming increasingly ambitious and
innovative in deploying capital at scale across the world, positioning themselves as the industry leaders of the future.

**ii. Evident strategies for making an impact, examples**

The initiatives listed below, categorized across different strategies leading financial institutions are using deliver funding for and impact the SDGs, are illustrative, and begin to flesh out the parameters of the new emerging model for the industry to doing well by capturing business opportunities associated with the SDGs, rather than being a simple acknowledgement of the organizations and their initiatives. Clearly, there are many other initiatives in the industry, and the list below is not complete.

Note: we have taken the examples from company public sources, avoiding any private and confidential information, and applied this information to illustrate the six strategies we think are effective and feasible.

**A. Breaking New Ground, and Ploughing It**

Certain financial institutions have been at the forefront of transitioning their businesses to being a force for good for the last several years, making trillion-dollar commitments toward financing the SDGs, and launching new large-scale initiatives for sustainability financing to address the world's biggest issues. Over the last year, these industry leaders have executed and deployed the capital against these commitments, and some have mobilized new large-scale financing for new initiatives.

<table>
<thead>
<tr>
<th>Selected Examples of Industry Leaders Breaking New Ground and Ploughing It</th>
<th>SDG Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank of America Deploys US$250 Billion in 2021 Towards its US$1.5 Trillion Sustainable Finance Goal by 2030</strong></td>
<td></td>
</tr>
<tr>
<td>In 2021, Bank of America deployed US$252 billion in sustainable financing, including US$157 billion of environmental transition financing (including solutions for renewable energy, energy efficiency, clean transportation water &amp; sanitation, recycling, sustainable agriculture, and carbon capture &amp; sequestration), and US$94 billion of inclusive social development financing (including community development, affordable housing, healthcare, education, financial inclusion, and gender / racial equality).</td>
<td></td>
</tr>
<tr>
<td>Source: Bank of America 2021 Environmental, Social &amp; Governance Performance Data Summary</td>
<td></td>
</tr>
</tbody>
</table>
Blackrock's AUM in Dedicated Sustainable Investment Strategies Rises to US$434 Billion

Blackrock's dedicated sustainable investment platform increased to US$434 billion of AUM (as of 30 September 2021), from US$199 billion in 2020), with US$64 billion of net inflows into sustainable investment strategies. Blackrock's iShares Sustainable ETF range is one of the largest in the industry... and it also manages one of the largest renewable power infrastructure investment platforms in the world and is one of the largest investors in green bonds on behalf of clients.

Source: Blackrock 2021 TCFD Report

Citi Mobilizes US$160 Billion in 2021 Towards its US$1.0 Trillion Sustainable Finance Goal by 2030

In 2021, Citi mobilized US$160 billion in sustainable financing, including US$130 billion of environmental finance (including for renewable energy, sustainable transportation energy efficiency, and circular economy), and US$30 billion of social finance (including affordable housing, financial inclusion, healthcare, and education), reaching US$222 billion of total sustainable finance since 2020, towards its goal to mobilize US$1 trillion of sustainable finance by 2030.

Source: Citi 2021 Environmental, Social & Governance Report

Goldman Sachs Commits US$10 Billion in Investment Capital and US$100 Million in Philanthropic Capital to Impact the Lives of One Million Black Women

The Goldman Sachs Group, Inc. announced a new investment initiative to advance racial equity and economic opportunity by investing in Black women... and it will commit $10 billion in direct investment capital and $100 million in philanthropic capital over the next decade to address the dual disproportionate gender and racial biases... guided by the goal of impacting the lives of at least 1 million Black women by 2030.

Source: Goldman Sachs Press Release, dated 10 March 2021
J.P. Morgan Finances or Facilitates US$285 Billion in 2021 Towards its Target of US$2.5 Trillion for Sustainable Development Finance by 2030

In 2021, J.P. Morgan financed or facilitated approximately US$285 billion towards its US$2.5 trillion target for 2021-2030... across [its] three objectives, US$117 billion towards development finance (including financing for developing countries), US$106 billion towards green [finance] (including sustainable transportation, renewable energy, waste management, green buildings, and mixed uses), and US$61 billion towards community development (home ownership, affordable housing, small business loans)

Source: J.P. Morgan Chase & Co. 2021 Environmental, Social & Governance Report

Morgan Stanley's Reaches Over US$600 Billion in 2021 of its US$1.0 Trillion 2030 Sustainable Financing Goal

Morgan Stanley's total sustainable financing mobilized towards its US$1 trillion target by 2030 to support environmental and social solutions to the SDGs reached US$600 billion... with over US$150 billion of green, social, sustainability, and sustainability-linked bond transactions supported in 2021... and over US$70 billion of client assets invested on [its] Investing with Impact Platform.

Source: Morgan Stanley 2021 Sustainability Report

B. “Natural Impact” Financial Institutions

Some financial institutions operate scaled businesses in financial products that naturally drive impact. For example, insurance companies who protect against key risks (including climate-related risks), and home financing businesses (or divisions or larger banks) that help drive home ownership and affordable housing for the underserved. These institutions are variously expanding their impact by making commitments to other areas such as climate and social inclusion and penetrating more deeply in their core businesses to reach wider populations.

Selected Examples of “Natural Impact” Financial Institutions Penetrating and Broadening Their Impact

<table>
<thead>
<tr>
<th>SDG Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great-West Lifeco Focuses on Societal Challenges that Require Collective Actions</td>
</tr>
</tbody>
</table>

With over 33 million customer relationships, and 28,000 employees, Great-West Lifeco [has focused on] societal challenges that require our collective actions... [including] the ongoing pandemic threatening the health and economic well-being of so many people, the urgent need
for climate action, and social injustices like the tragic legacy of residential schools in Canada and systemic racism present in many institutions and societies.

Source: Great-West Lifeco 2021 Annual Report

HDFC Seeks to Facilitate Home Ownership in India Across All Income Segments

HDFC was incorporated in 1977 as India's first retail mortgage finance company... and has financed over 9.3 million housing units since inception. In FY22, 48% of loans approved were to the middle-income group (annual household income from US$7,500-22,500) and 29% were to the low-income group and economically weaker section (annual household income under US$7,500) ... 64% of loans disbursed were to first time home buyers... and 70% in value terms had women as owners of the property.

Source: HDFC Ltd. Integrated Report 2021-22

Japan Post Committed to Supporting Customers and Local Communities and Contributing to the Realization of a Sustainable Society

By encouraging various businesses and local communities to participate in and collaborate with [its] new post office network, [Japan Post Group seeks to] create the services that meet the needs of local communities and build a “Co-creation Platform” to support customers and local communities. Committed to leaving no one behind in a rapidly changing society [Japan Post Group seeks to] deliver convenience, peace of mind, security, and comfort to local communities and all [its] customers in Japan.

Source: Japan Post Group Sustainability Report 2021

Liberty Mutual Believes Progress Happens When People Feel Secure

Liberty Mutual is among the largest property and casualty insurers in the US... with US$43.7 billion net written premiums in 2021. Underpinned by [its] conviction that insurance is a force for social good, [Liberty] is committed to addressing environmental and social challenges while delivering security for [its] customers, employees, and communities... and [also] took important steps to address climate action... announcing a commitment to reduce [its] Scope 1 and 2 global greenhouse gas emissions by 50% from 2019 levels by 2030... and more than US$55 million to advance security and build resiliency in underserved communities.

Source: Liberty Mutual Insurance 2021 Environmental, Social and Governance Review

Zurich Determined to be Among Those Who Are Making Society More Resilient to Risks, Protecting People, and the Planet that Supports Us

...
With over 55 million customers, Zurich has identified three transformational themes and pillars that it believes are very important to its stakeholders' future, including (1) building resilience to climate impacts and innovating new solutions by announcing interim science-based targets for its operations and investment portfolio, (2) inspiring confidence in an increasingly digital society by being more responsible in how it handles data and supporting digital trends with a new generation of products and services, and (3) supporting its employees and customers in times of great change and transformation.

Source: Zurich Insurance Group Sustainability Report 2021

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**Divisions of Large Banks**

**Bank of America Expands Mortgage Program to US$15 Billion to help Low-to-Moderate-Income Homebuyers in Achieving Affordable Homeownership**

Bank of America and the Neighborhood Assistance Corporation of America (NACA) announced the expansion of their national affordable homeownership mortgage program, with a goal of providing $15 billion in mortgages to low-to-moderate income (LMI) homebuyers through May 2027.

Source: Bank of America Press Release, dated 18 May 2021

**Citi Ranked Number One Affordable Housing Lender in the US for 12th Straight Year**

Citi was recognized as the number one affordable housing lender in the United States for 2021. Citi Community Capital, a line of business within Citi, provided approximately $5.64 billion to finance affordable housing projects in 2021 throughout the U.S. Lending and investing by Citi Community Capital in 2021 totaled over $6.9 billion in affordable housing, education, and small businesses across 144 U.S. cities.

Source: Citi Press Release dated 30 March 2022

**Lloyds Banking Group Seeks to Expand the Availability of Affordable and Quality Housing in the UK**

As Britain's largest financial services group, Lloyds' efforts to build an inclusive society are focused on improving access to quality housing. In 2021, Lloyds provided GBP16.3 billion of lending to help people buy their first home... and delivered GBP3.4 billion of new funding in support of the
social housing sector, of which GBP2.4 billion is dedicated to sustainability improvements, including assessing the energy retrofit requirements of around 240,000 social homes.

Source: Lloyds Banking Group ESG Report 2021

C. Addressing the ‘Hard to Do’ Sustainability Objectives

Some financial institutions are looking to tackle areas and strategies which are fundamentally difficult to execute. For example, rather than just making general Net Zero commitments, some are implementing tangible action plans to materially reduce their financed emissions, others are creating new financial products to address biodiversity loss, while others are channeling investments towards developing countries in South Asia and Africa which need it the most, given their existing large SDG funding gaps. These institutions are effectively showing the way to others, establishing strong business cases for sustainability objectives that are inherently difficult to tackle.

<table>
<thead>
<tr>
<th>Selected Examples of Industry Leaders Addressing ‘Hard to Do’ Sustainability Options</th>
<th>SDG Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Suisse Begins Implementation of Transition Strategy to Reduce Financed Emissions from Oil, Gas and Coal Upstream and Downstream Financing</strong></td>
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</tr>
<tr>
<td>Credit Suisse made significant progress against with [its] preliminary numbers suggesting that it will achieve a year-on-year reduction of 41% for [its] financed emissions from this sector. Credit Suisse has committed to reduce financed emissions from oil, gas, and coal upstream and downstream financing by 49% by 2030 and 97% by 2050.</td>
<td></td>
</tr>
<tr>
<td>Source: Credit Suisse 2021 Sustainability Report</td>
<td></td>
</tr>
<tr>
<td><strong>GIC Committed to Enabling the Transition to a Net-Zero Economy, Through its Investments and Operations</strong></td>
<td></td>
</tr>
<tr>
<td>GIC focuses on influencing its partner companies and the real economy in two ways. First, [it] invests in companies which develop solutions that help to decarbonise the economy, including batteries, hydrogen, carbon capture and storage, and even nuclear fusion... Secondly, [it] actively engages [its] portfolio companies... When opportunities arise, [it] will fund the investments needed to support their transition towards more climate-resilient business models. this helps to provide capital to sectors such as energy, industrials, and materials, which form a substantial part of the real economy and need significant investments to decarbonise.</td>
<td></td>
</tr>
<tr>
<td>Source: GIC ThinkSpace, 22 August 2022</td>
<td></td>
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</tbody>
</table>
**HSBC Offers Access to World’s First Broad-Based Biodiversity Screened Equity Indices**

HSBC announced the launch of the Euronext ESG Biodiversity Screened Index series, jointly developed by HSBC, Euronext, and Iceberg Data Lab. These are the first investable biodiversity screened benchmark indices based on a broad range of equities... with constituent companies... selected from either the Euronext Eurozone 300 Index or Euronext World Index.

*Source: HSBC Holdings plc Press Release, dated 23 November 2021*

**Investec and Intesa Arrange Financing for EUR82 Million Ghana Road Upgrade Project**

Investec Bank Ltd [in partnership with other institutions] have signed a loan to finance the upgrade and rehabilitation of a 109km stretch of the Bolgatanga-Bawku-Pulmakom Road in the Republic of Ghana... the Ministry of Finance said [the project will]... “provide access to essential services for local communities, stimulate trade and economic and social development, further integrate the Upper East and the Northern regions of Ghana, [and] improve access to neighboring countries.”

*Source: Investec Bank Press Release, dated 22 February 2022*

**Schroders Invests in the Future of Sustainable Food and Water with New Fund**

Schroder ISF Global Sustainable Food and Water will target emerging technologies and strategic industries integral to changing the food and water system. It will seek opportunities across key value chains, including the likes of water management, food production and processing, distribution, and recycling.

*Source: Schroders Press Release, dated 15 December 2021*

**UBS Sets Decarbonization Targets for the Reduction of Greenhouse Gas Emissions Across Three Priority Sectors by 2030**

UBS has committed to publish interim financing targets for 2030 with a focus on reducing our greenhouse gas emissions in priority sectors where the bank can have the most significant impact. In line with this commitment, the bank will reduce the carbon footprint of its loan book across three sectors that account for a sizable share (c. 43%) of its credit portfolio and financed emissions: fossil fuels, power generation and real estate.

*Source: UBS Press Release, dated 11 March 2022*
Wells Fargo Announces Interim Greenhouse Gas Reduction Targets for Oil & Gas and Power Sectors

Wells Fargo today announced its interim targets for reducing greenhouse gas emissions attributable to its financing activities in the Oil & Gas and Power sectors. The 2030 reduction targets for these sectors, based on a 2019 baseline, are a 26% reduction in absolute emissions from the oil & gas sector, and 60% reduction in portfolio emissions intensity in the power sector.

Source: Wells Fargo Press Release, dated 4 May 2022

D. Converting Assets to Sustainability at Scale

Some finance industry leaders, in particular large global asset management firms, are looking to leverage their market leading positions to drive a large-scale shift of assets towards sustainable investments through various strategies, including through active stewardship and voting against companies based on the tangibility of their climate transition plans and boardroom diversity, and by integrating a majority of their assets with ESG, sustainability, and impact considerations, thereby aligning significant investor capital towards ESG and sustainability at scale.
### Fidelity International Expands Global Voting Guidelines with New Diversity and Climate Change Policies

Fidelity International announced the publication of its Sustainable Investing Voting Principles and Guidelines, introducing new policies on climate change and diversity... [which] will see Fidelity increasingly hold investee companies to account, utilizing its right to vote against boards that do not meet expectations... Fidelity expects [its] investee companies to take action to manage climate change impacts and reduce their greenhouse gas (GHG) emissions, and make specific and appropriate disclosures around emissions, targets, risk management, and oversight.

Source: Fidelity International Press Release, 26 July 2021

### Nordea Asset Management Sees 90% of New Fund Flows from ESG Funds in 2021, with ESG Funds Now Accounting for 67% of its Total AUM

Nordea Asset Management, a leading global asset manager with EUR300 billion of AUM, saw its ESG funds increase to EUR195 billion, or 66.5% of its total AUM, with new ESG fund flows at one point accounting for c.90% of total new fund inflows. The asset manager also launched a series of new ESG funds during the year.


### Schroders Assets Under Management are 100% ESG Integrated, Increase by GBP35 Billion in 2021

Schroders’ GBP732 billion of assets under management are now fully ESG integrated... and, in 2021, it built on its climate investing expertise with a new Global Climate Leaders fund, attracting net new assets under management of GBP35 billion during the year.

Source: Schroders Annual Report and Accounts 2021, Press Release dated 16 December 2021

### State Street Focuses on Driving Both Broad Climate Action in the Market Across Sectors as well as More Targeted Action for Companies with the Most Significant Emissions

Beginning in the 2022 proxy season, State Street expects companies in major indices in the US, Canada, UK, Europe, and Australia to align with climate-related disclosures requested by TCFD... With approximately one-third of companies in the S&P500 still not providing these TCFD disclosures, State Street will start taking voting action against directors across applicable indices should companies not meet these disclosure expectations.

Source: State Street CEO’s Letter on Our 2022 Proxy Voting Agenda, 12 January 2022
Wellington Aligns Impact Investing Strategy with Sustainable Development Goals

In 2015, Wellington Management launched [its] first impact investment approach... [and] is committed to setting a high bar for materiality, additionality, and measurability. Through engagement, [it] encourages companies to establish key performance indicators demonstrating positive social and environmental impact... [Wellington] believes [its] approach of investing across 11 impact themes puts [it] in a strong position to capture promising new developments across developed and emerging markets.

Wellington Management, Global Impact Annual Report, June 2022

E. Leveraging the Platform to Create Impact

Finally, in the private sector, some finance industry leaders, have started to find ways to leverage their platforms to drive an impact, and are gaining the experience that allows for scaling up their ambitions and SDG financing by launching new sustainable investment funds and strategies and making commitments to increase their sustainability financing, amongst other strategies.

<table>
<thead>
<tr>
<th>Selected Examples of Industry Leaders Leveraging the Platform to Create Impact</th>
<th>SDG Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bridgewater Associates Launches Sustainable Investing Venture</strong></td>
<td>13 12</td>
</tr>
<tr>
<td>Bridgewater, a global leader in institutional portfolio management and the largest hedge fund in the world, announced the launch of a new sustainable investing venture... the effort [will include] the design and implementation of investment solutions for clients pursuing sustainability goals alongside their financial targets.</td>
<td>13 12</td>
</tr>
<tr>
<td><em>Source: Bridgewater Associates Press Release, dated 14 April 2021</em></td>
<td></td>
</tr>
<tr>
<td><strong>First Abu Dhabi Bank Committed to Facilitate US$75 Billion for Sustainable Financing</strong></td>
<td>13 12</td>
</tr>
<tr>
<td>First Abu Dhabi Bank has reiterated its commitment to lend, invest, and facilitate business over $75 billion by 2030 to activities focused on sustainable solutions as the world moves towards energy transition using green sources... the bank is very keen to support the energy transition which is currently happening in the Middle East. Noting that the region was dependent on hydrocarbons for 100 years, “so the transition here is not easy.”</td>
<td>13 12</td>
</tr>
<tr>
<td><em>Source: Arab News 28 June 2022, Based on Remarks by Sarah Usmani, MD and Head of Sustainable Asset and Project Finance at First Abu Dhabi Bank at MEA Energy Week</em></td>
<td></td>
</tr>
</tbody>
</table>

Nomura Holdings, Inc. announced a commitment to align its commercial activities with the objectives agreed in the Paris Agreement, aiming to limit global temperature increases to well below 2°C, and striving for 1.5°C, above pre-industrial levels... with a target to deploy $125bn in sustainable financing by March 2026.

Source: Nomura Holdings Inc. Press Release, dated 28 September 2021

Northern Trust Asset Management Launches Quantitative ESG Strategy for EMEA and APAC Investors

Northern Trust Asset Management (NTAM), one of the world's leading investment managers [with over US$1 trillion of investor assets and US$100 billion of sustainable investing assets], has expanded its suite of responsible quantitative investment solutions, with the launch of the NT World Quality ESG Strategy [that] seeks to efficiently target high-quality stocks and companies with higher relative environmental, social and governance (ESG)-ratings whilst defining a responsible investment universe and managing climate change risk.

Source: Putnam Investments Press Release, dated 8 June 2022

OMERS Successfully Completes First Sustainable Bond Offering

OMERS Finance Trust (OFT) announced that it has successfully closed its first offering under a recently established Sustainable Bond Framework. The inaugural dual tranche sustainable bond offering comprised US$600 million of 10-year notes and US$500 million of 30-year notes, securing strong international investor interest and a two times oversubscription. This is the first time that OFT has issued a sustainable bond.

Source: OMERS Press Release, dated 21 April 2022

Putnam Investments to Launch Fixed Income and Quantitative Equity ESG Investment Strategies

Putnam Investments announced that the firm will bring three active fixed income and two active quantitative equity exchange-traded funds (ETFs) to the market, all with an environmental, social and governance (ESG) focus, following completion of the regulatory process... The new, ESG-focused Putnam fixed income portfolios build upon the long-time capabilities and experience of the Putnam Fixed Income team, utilizing an ETF format.

Source: Putnam Investments Press Release, dated 8 June 2022
F. Impact as a Core Mandate: Multilateral Development Banks and Development Finance Institutions

While private sector financial institutions have started to scale their sustainable investing efforts, multilateral development banks (MDBs) and development finance institutions (DFIs) have been mobilizing financing for sustainable development, globally, as part of their core mandate since their inception.

<table>
<thead>
<tr>
<th>MDB</th>
<th>Year of Establishment</th>
<th>Annual Disbursals</th>
<th>Annual Approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank Group</td>
<td>1944</td>
<td>49.2</td>
<td>78.2</td>
</tr>
<tr>
<td>European Investment Bank</td>
<td>1958</td>
<td>47.1</td>
<td>74.3</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>1966</td>
<td>18.2</td>
<td>36.3</td>
</tr>
<tr>
<td>Inter-American Development Bank</td>
<td>1959</td>
<td>12.5</td>
<td>23.4</td>
</tr>
<tr>
<td>International Finance Corporation</td>
<td>1956</td>
<td>11.4</td>
<td>20.7</td>
</tr>
<tr>
<td>European Bank for Reconstruction and Development</td>
<td>1991</td>
<td>8.3</td>
<td>11.9</td>
</tr>
<tr>
<td>Asian Infrastructure Investment Bank</td>
<td>2016</td>
<td>6.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Islamic Development Bank</td>
<td>1973</td>
<td>8.8</td>
<td>8.8</td>
</tr>
<tr>
<td>Council of Europe Development Bank</td>
<td>1956</td>
<td>4.6</td>
<td>6.3</td>
</tr>
<tr>
<td>African Development Bank</td>
<td>1964</td>
<td>4.0</td>
<td>5.8</td>
</tr>
<tr>
<td>New Development Bank</td>
<td>2015</td>
<td>7.6</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>177.9</strong></td>
<td><strong>280.6</strong></td>
</tr>
</tbody>
</table>

While the overall scale of funding by MDBs and DFIs is small relative to the private sector – the 11 largest MDBs collectively disbursed c.US$178 billion and committed or approved c.US$281 billion in new investment in 2021\textsuperscript{ix}, less than the annual sustainability financing by the largest private sector institution – they play a crucial role in financing the SDGs, in part because their entire financing is towards the SDGs, and also due to the following reasons:

1. **Directing financing to the developing countries that need it the most.** MDBs and DFIs focus almost exclusively on channeling capital based on needs to the developing
countries that face the biggest SDG funding shortfalls, unlike private sector players whose funding is still more concentrated in developed countries.

2. **Partnering with private sector players to drive financing for the SDGs.** MDBs and DFIs also often partner with private sector players to increase the scale of their funding, creating instruments, structures, and risk management mechanisms that allow and encourage private financial institutions to participate easily.

3. **Partnering with governments to fund critical development projects.** Several development projects in developing countries, such as public health infrastructure or not-for-profit education and training, are simply unviable for private finance institutions and with MDBs often partner with local governments to finance these, acting as a critical funding source for those at the very bottom of the pyramid.

4. **Establishing common standards and frameworks for the private sector.** The MDBs also help set objective and transparent common standards for private sector financial institutions, helping to drive the rapid diffusion of best practices (for example the IFC Performance Standards for ESG), and impact measurement and disclosure requirements for issuers.

Despite their smaller scale individually relative to large private financial institutions, MDBs are therefore a critical driver of funding for the SDGs, both in terms of their collective funding for the SDGs, and the catalytic role they play in helping mobilize private sector sustainability financing. Their scaling is an important potential ingredient in financing the SDGs, but that requires multiples of the current finance and that seems unlikely at this stage to come from the public sector, leaving strategic alliances with the private sector as a difficult question to be answered given their neutrality across private sector participants.

**New frontiers need to be broken**

A sub-group of large private sector financial institutions is leading the way in adapting their organizations and strategies to become industry leaders in the 21st century. They have created distance between themselves and the rest of industry, with others not yet able to adopt similar initiatives.

For the finance industry to systematically address the SDGs, an industry-wide participation at scale will likely be required across a range of similar initiatives to the leading group.
At the same time, it is also evident that there are important new frontiers to be broken.

*Progress on climate change has shown the way, and now there is a need to similarly break through on people related themes, without which at some point, people will stop cooperating with climate initiatives ... and this problem is particularly acute in emerging markets*

While COP26 galvanized the finance industry on the issue of climate change – virtually every finance industry leader has major initiatives related to Net Zero or climate change – participation in the other SDGs, particularly related to financial inclusion, healthcare, and education is nowhere near the same level of breadth (in terms of the number of financial institutions pursuing path-breaking initiatives) or depth (in terms of the quality and extent of the initiatives). Only a very small group of institutions are pushing for solutions to these SDGs, and it is nowhere near enough.

Another critical frontier that needs to be broken is the geographic one. Most of the scaled non-climate related initiatives by the private sector financial institutions are still focused on the developed markets, whereas most of the need and funding gap remains in emerging markets. Clearly, there are issues of poverty, equality, and inclusion that need to be addressed in developed markets too, however, without a similar degree of focus on developing countries in the near-term, the SDGs have no hope of being achieved.

### iii. Conclusion: A vanguard of leaders is emerging

Over the past year, a group of finance industry leaders have significantly stepped up their ambition to differentiate themselves in being a force for good in the world.

They are leveraging their core businesses to deliver the SDGs through a combination of redefining the scale and nature of their engagement with the SDGs, with trillion-dollar commitments and a focus on inclusion and social issues. Through scaled initiatives in affordable housing, financial inclusion, racial equity, gender equality, among others with positions not dissimilar to activists; addressing neglected and difficult SDGs having learnt by establishing business cases for funding renewables financing, affordable housing, SME loans and others they are now turning their focus to other critical and neglected SDGs such as hunger and biodiversity; new product innovation to channel increasing volumes of capital towards the goals; and by partnering to drive systemic changes that to deliver to the SDGs.
3. Financial performance: doing well by doing good

i. Market volatility creating challenging conditions

The past year has been a challenging one for global investors. The world’s two largest stock exchanges, the NYSE and NASDAQ have lost nearly 10% and 20% of their value, respectively, during the past 12 months. The NASDAQ has suffered disproportionately due to the global collapse of technology stocks, of which it has more than twice as many than the NYSE, while the NYSE has benefitted from the global rally in oil and gas stocks, of which it has nearly five times as many as NASDAQ. While windfall profits and hikes in valuation give respite to the oil and gas industry, the future will not be built on oil and gas, the future will be built on technology, including alternative and breakthrough energy sources. Over the short to medium term though there will be many swings in fortune that will impact investing performance.

These changes have had a significant impact on the performance of ESG strategies, which typically seek to minimize exposure to fossil fuels and on average invest 25% of their capital in the technology sector due to its high performance on most ESG performance rankings. Nevertheless, ESG investing continues to be a resilient investing strategy in many areas. Across three major investing categories – global, US and European equities - ESG funds outperformed their non-ESG counterparts this year despite the macro-economic challenges of inflation, rising interest rates and rising energy prices.

Figure 17: Relative Performance ESG vs non-ESG Equity Funds YTD
ESG strategies have fallen less than the market in the face of severe shocks, and so appear to have proven their resilience. However, confidence in the ESG ‘premium’ appears to have been eroded too by current market conditions, casting doubts on investors ability to generate sustained long-term outperformance based on undifferentiated ESG strategies. For many investors, ESG investing mirrors other investment strategies with an added screening layer that excludes assets with low ESG ratings. These ratings often pose several challenges for investors.

First, these ratings measure a wide range of often competing metrics across environmental impact, social performance, and corporate governance systems, which are aggregated in a single score whose weighting may not reflect the priorities of the rating users. For example, Tesla, the world’s largest electric vehicle manufacturer recently had a lower score on a major ESG index than ExxonMobil, the world’s third largest oil company, largely due to their respective performance on various social and governance matters, and this was a cause for not only surprise but a reaction by the younger generation against ESG.

Further, a lack of standards among rating agencies on measurement scope, weighting and data usage leads to their ratings diverging widely from one another, with ESG ratings across agencies found to have only a 0.6 correlation, as compared to the near perfect 0.95 correlation of credit ratings, making ESG screening strategies based on ratings somewhat arbitrary. Finally, ESG strategies based solely on ratings-based screening are largely passive with regards to the factors that drive the rating, as most scores are ‘black boxes’ that do not provide underlying data, thereby preventing the bottom-up analysis required for the careful and differentiated stock selection that drives returns in challenging market conditions.
ii. **F4G performance benchmarking**

**Breadth, depth, and quality of activity is a performance driver**

The ‘Force for Good’ engagement across ESG, sustainability and stakeholder engagement, focuses on the activities and accompanying funds flow that drives long term performance. This framework provides a significantly more comprehensive framework in assessing companies’ performance than typical ESG investing strategies do, which often rely on 3rd party ESG scorecards with narrow focus areas. The public companies in the database have been awarded ‘F4G Scores’ based on the quantitative and qualitative factors captured in the Force for Good database which assess them against the benchmark of a notional best-in-class 21st Century Financial Institution and these are used to place them in relative performance quartiles based on these scores.

The findings are informative. Despite the different approaches being used by major institutions in their Force for Good engagement, there are several common attributes shared by the most active companies, which have held to be valid across the past few years and include:

1. A commitment and quality of approach to ESG, sustainability and stakeholders.
2. A high level of integration and alignment of the organization to be and do ‘good’.
3. Quality of adaptation, innovation, and skill in designing products, processes, and businesses to withstand changes in the external environment.
4. Scale and scope of ambition in positioning the organization at the intersection of big issues, big ideas and capital.
5. Desire to Influence changes in the global system of capital.

**Emerging DNA of leading organizations**

These attributes and the initiatives undertaken by industry leaders in pursuit of their Force for Good goals point to the evolving DNA for industry leadership, expanding the ‘capability stack’ that will allow financial institutions to significantly outperform competitors who fail to adapt. Finance firms will need to be adept at mobilizing resources and financing the SDGs, developing new products to solve major issues, partnering with governments and other stakeholders, serving, and caring for their local communities, developing organizational resilience to cope with the increasing pace of disruptions, being inclusive, and investing their assets responsibly.

**Figure 18: Key Characteristics of the Next Generation of Finance Industry Leaders**
The previous Capital as a Force for Good reports had accordingly found a strongly positive correlation between the Force for Good scores of finance industry leaders and their total shareholder returns.

**Performance benchmarking**

While returns have clearly been impacted by the market downturn and volatility of 2022, the case for being a ‘Force for Good’ integrating ESG, pursuing sustainability goals and engaging with multiple stakeholders is still a powerful one.
Force for Good Engagement and Five-Year Total Shareholder Returns

Five Year Total Shareholder Returns Through July 2022

Median Five Year Shareholder Returns from 31 July-2017 to 31 July-2022
For 90 companies in dataset with sufficient data*

<table>
<thead>
<tr>
<th>Quartile of Scores</th>
<th>0-25th Percentile</th>
<th>25th-50th Percentile</th>
<th>50th-75th Percentile</th>
<th>75th-100th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Organizations</td>
<td>24</td>
<td>24</td>
<td>21</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Capital as a Force for Good Initiative

1. **Sub-Categories Considered.** Six subcategories considered for scorecard- Capital deployed towards sustainability linked finance, policies in place for ESG integration in core business, inclusion linked commitments, SDG and ESG considerations for loans & investments, environment, diversity & employee policies and peer partnerships through associations.

2. **Scoring Methodology.** For sub-categories with binary responses, one point awarded for affirmative responses. Actual amounts mobilized as a share of total assets (company + client assets) considered for sub-categories with capital commitments towards sustainability finance and inclusion. Percentile calculated for each sub-category to normalize the scoring between binary responses and actual finance commitments. A final weighted average percentile by assigning equal weights to each category.

3. **Weighted Score for Final ESG Scorecard.** Customised weights applied for each category based on number of institutions who have a score in the sub-category and its relative importance to five year returns and financial metrics. The final weighted average percentile for each company based on customized weights are applied is then marked on a total score of 5 to calculate the final ESG scorecard for the company.

Over the past five years, companies with the most comprehensive and scaled initiatives and strategies have significantly outperformed the market as well as their less active competitors, with the highest scoring quartile of companies outperforming the market by 32% in terms of annual shareholder returns, and the less actively engaged companies in the third quartile still outperforming by 5%, generating twice the level of returns annually. Unlike in previous years, the companies ranked in the bottom quartile of Force for Good performance did not outperform the market. The key differentiators that emerge are:

- **Intensity of engagement.** While all the companies considered in the analysis have ESG, sustainability and stakeholder engagement strategies that are part of the
industry's common ground, the differences in engagement between the companies is striking.

- **Scale of sustainable finance.** For the top quartile companies, while sustainable financing represents only 2.7% of their total assets on average, that is c.70% higher than the middle quartiles at 1.6%, and 350% higher than the bottom quartile at 0.6%. While even for the top organizations this is a tiny proportion of their assets, it seems to matter.

- **Power and extensive engagement in industry rule setting and forums.** Top quartile leaders are significantly more powerful and active in industry and multilateral engagements (being involved in 50% more organizations that the other quartiles) and play a bigger role, including founding ones, in managing those organizations.

- **Targeting outcomes not just activity.** c.83% of top quartile leaders explicitly target sustainability outcomes vs. c.50% of others displaying the same competitive disciplines that have been success factors in the industry historically.

- **Comprehensive ESG screening.** Top quartile leaders employ significantly more comprehensive ESG screening methodologies, which on average have more than twice as many screening criteria than those employed by the remaining companies.

The highest performing companies do more and do it more intensively than their competitors, break new ground, build new capabilities, and build a superior organization in doing so, and this confers superior value. In the process, these companies lift the bar for other to rise to and shift the common ground to one of greater and greater impact.

At the other end of the spectrum, the broadening engagement of the wider finance industry has led to the former common ground of industry leaders becoming the common ground of the industry as a whole. Pursuing only the ‘baseline’ common ground of engagement, rather than the new ground being raised by the highest performers, no longer confers performance benefits relative to the market, providing some explanation why the performance of the bottom quartile of companies examined has fully converged with the rest of the market.

Given the limited sample size of the organizations scored and benchmarked, there may of course be other drivers impacting the outperformance of the group against the market, the analysis’ focus on industry leaders for example skewing for companies of above average size. (This would however not explain the performance differences between the quartiles in the group).
iii. Conclusion: A model of the future of financial institutions is emerging

A strategic change is underway whereby a large proportion of the industry, even among the leading 125 financial institutions examined for this initiative, are stuck in an old industrial financial model and a smaller group is redefining their identity and nature. The key points to note are:

The data reveals two distinct classes of financial institutions emerging, and a group in transition. Beginning with creating a more differentiated common ground, and moving to break new ground, a sub-set of the industry is creating a new strategic scope of activity which has the potential to change the nature of their organization’s values and behaviors. This group is quite different in ‘DNA’ from those that are more ‘traditional’ and conservative in their approach to engaging in doing good and continue to define themselves by the products and transactions they sell and process.

The initiatives, people, language, commitments, and actions of the finance industry’s most aggressive and ambitious has changed to reflect their ambition to be relevant to the emerging sustainable digital era.

The lagging group follows an “industrial” model of finance. The ‘stack’ of organizational assets and capabilities that have defined the modern industrial include functions like customer management, risk management, product distribution, human resources, and investor relations. More traditional institutions define themselves by their ability efficiently and effectively carry out these activities. While these are required, they are not sufficient to confer advantages in a rapidly changing world of opportunity and risk.

The advanced subgroup is strategically shifting to define itself as a player in the secure sustainability and digital era of the future. The advanced league of financial institutions has embraced the view that making a positive impact is the direction of change and confer significant advantages if done well. As such, they have decided to take on projects, activities, products, and people that will enable them to excel at this.

Addressing complex problems and measuring their impact. These organizations are not only learning to step up to fund sustainability, but they are also participating in the rule setting and partnering that will define the rules of engagement for the industry as a whole. As such, they are better positioned for broader systemic changes in the world at large.

The superior performance of leading ‘force for good’ organizations is multi-dimensional: they are better run companies, able to attract and retain more diverse and more productive talent, with more resilient systems and processes and business strategies that position them to capitalize on high growth opportunities, and with innovative products and services that differentiate them from their competitors. While no company today has fully
made this transition yet, the most ambitious companies engaging as a force for good have started the transformation, providing a potential explanation for their superior operating performance vs. their peers and the industry.

In summary

- The common ground of the finance industry continues to expand and incorporates the deepening integration of ESG, the leveraging of balance sheets to drive sustainability objectives, by mobilizing sustainability financing, and the long-term focus on multiple stakeholders.

- A subset of the industry leaders is pushing further than the rest to establish a higher ‘quality’ common ground, differentiating themselves through the strategic integration of ESG and scaled commitments to sustainability and building new capabilities in the process.

- This subset is also significantly stepping up their commitments to the SDGs, having deployed nearly US$2.5 trillion in SDG aligned financing in 2021 across a widening set of goals.

- These industry leaders are playing an increasingly critical role in meeting the SDGs, entering new markets, driving product innovation, and developing new business models to address underfunded goals.

- The Force for Good framework captures a set of comprehensive initiatives and objectives whose execution implies the development of new assets and skills that position companies for future industry leadership.

- The outperformance of ‘force for good’ organizations is significant in quantum and multi-dimensional in nature: they are better run companies, able to attract more diverse and more productive talent, with resilient systems and business strategies that position them to capitalize on high growth opportunities, and with innovative products and services that differentiate them from their competitors.

- However, even the industry’s leaders are at an early stage, with only a fraction of their capital allocated to the secure sustainable or digital opportunities. They are faced with the challenge of weaning themselves and their stakeholders off legacy investments as quickly and smoothly as possible.

- This transition opens up the opportunity for those that are bold and disruptive to carve out a pre-eminent position, even if they are not today’s leaders.

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i includes green bonds and loans, social and sustainability bonds, and sustainability-linked bonds

ii Source: Climate Bonds Initiative Update, 4th August 2022
Examples have been selected in order to provide a broad sample of initiatives by various finance industry leaders.

Mapping of initiatives to the SDGs is based on F4G Foundation analysis; SDGs from other categories which are indirectly impacted by the initiative (given the complex interlinkages between the SDGs) are shown in faded SDG icons.

Excluding the International Finance Corporation, which is shown separately.

For certain MDBs, latest available annual reports are for the period ending 31 December 2020 or 30 June 2021.

Note: Two Indian banks, new additions to the 2022 database were excluded from the performance benchmarking, given the current volatility of Indian equity markets and the resulting lack of correlation between company share prices and Force for Good performance.