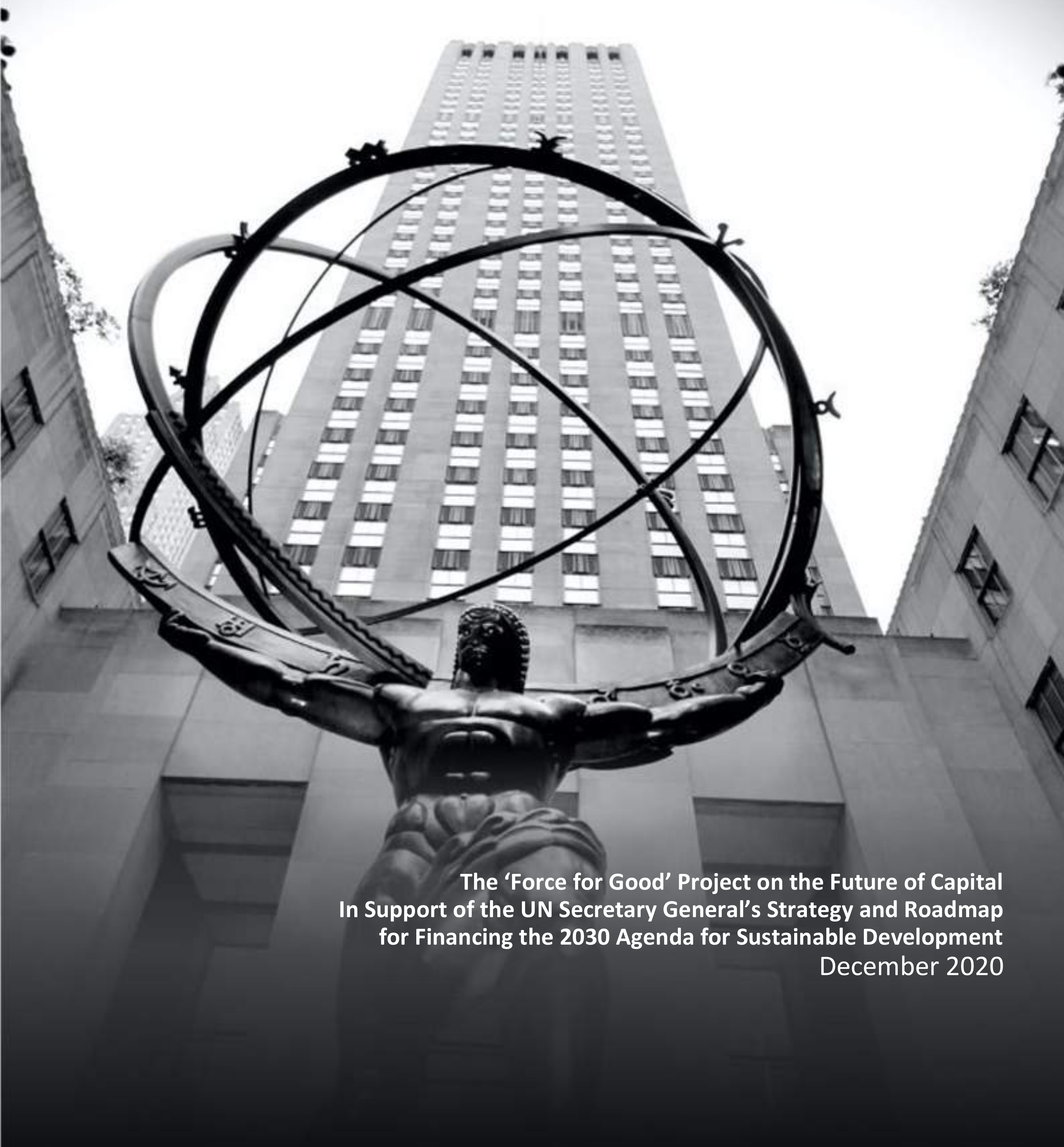
Capital as a Force for Good

Global Finance Industry Leaders Transforming Capitalism for a Sustainable Future



The 'Force for Good' Project on the Future of Capital
In Support of the UN Secretary General's Strategy and Roadmap for Financing the 2030 Agenda for Sustainable Development
December 2020

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GLOBAL FINANCE INDUSTRY LEADERS TRANSFORMING CAPITALISM FOR A SUSTAINABLE FUTURE

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CONTEXT

"The 2030 Agenda for Sustainable Development was launched in 2015 to end poverty and set the world on a path of peace, prosperity and opportunity for all on a healthy planet. The 17 Sustainable Development Goals (SDGs) demand nothing short of a transformation of the financial, economic and political systems that govern our societies today to guarantee the human rights of all.

At the start of this Decade of Action to deliver the SDGs, I call for renewed ambition, mobilization, leadership and collective action, not just to beat COVID-19 but to recover better, together – winning the race against climate change, decisively tackling poverty and inequality, truly empowering all women and girls and creating more inclusive and equitable societies everywhere.

We must recognize that the United Nations is not the only actor, and in many cases not even the most important actor. The ultimate goal is not to expand our remit but---with humility---to make a real difference for people, especially the most vulnerable. As the anchor of multilateralism with universal membership, the United Nations has unparalleled capacity to convene and mobilize. The UN system is most impactful when enabling others. This means building meaningful partnerships with the widest array of Governments, regional organizations, international financial institutions, civil society organizations, academia and the private sector, always being truthful to our mission as the guardian of the international norms that the Organization has generated over the past seven decades."

António Guterres, Secretary-General, United Nations

on The Sustainable Development Goals 2020 and the importance of Strengthening Partnerships and SDG 17 [I]

FOREWORD

We entered this century with established principles for peace and progress based on multilateralism, scientific and technological advances and the economies of the world generating wealth at a near unprecedented rate, among other things. The last two decades have ended with political divisions, a devastating pandemic, unprecedented climate change and ecological degradation as well as increased inequalities. These have setback our work towards equitable, inclusive and sustainable development, including equality within and among countries.

The coronavirus disease of 2019 (COVID-19) pandemic has gravely wounded the world economy impacting all communities and individuals and resulted in further setbacks for the most vulnerable. Since the outbreak of the COVID-19 more than 1.5 million people have lost their lives due to the pandemic, and the global economy is expected to contract by a staggering 4.3 per cent in 2020. Millions of jobs have already been lost, millions of livelihoods are at risk, and an estimated additional 150 million people will be living in extreme poverty if the crisis persists.

There is widespread recognition that the same economic and financial systems that drove human progress and prosperity is also the cause of the urgent and interconnected challenges facing the world; and that failing to address them threaten to derail or erase progress made in the last decades.[ii]

However, the current pandemic and economic crisis offer once in a generation opportunity to address these challenges. And we have the roadmap to get there. The 17 Sustainable Development Goals and their 169 targets adopted by all 193 member States of the UN provide the roadmap to rebuild better, rebuild a green, resilient, inclusive and connected world. We must turn the tragedy of this pandemic to find the opportunities to bring about economic, social and governance transformations, putting in place the initiatives, incentives and institutions that will create a more sustainable future.

The 'UN Secretary General's Roadmap for Financing the 2030 Agenda for Sustainable Development 2019-2021' - in support of which the "Capital as a Force for Good" was produced - emphasizes that this financing is available, given the size, scale and level of sophistication of the global financial system with c.US$350 trillion in total global assets.[2] It is estimated by UNCTAD and the IMF that the world needs c.US$25-30 trillion dollars more to achieve the SDGs and much more work is require to achieve the goals of the Paris Agreement. Indeed, even though a reported 25% of the total US assets under professional management has fallen under the "sustainable, responsible and impact investing" categories, this has not yet worked its way through the system to fundamentally change the behavior of major industrial corporations.[iii]

Changing the way money flows across the world is one of the greatest challenges to achieving the SDGs. And this requires systemic changes in the way we as consumers decide not to buy from companies that harm the world, producers choosing to manufacture using sustainable production methods, and governments supporting good practices, especially in companies and sectors have large impact on carbon emissions, gender and other disadvantage group, disaster risk, and waste production

These issues are now at the top of international institutions, governments, and the private sector's agenda. It is thus heartening that this report, "Capital as a Force for Good: Global Finance Industry Leaders Transforming Capitalism for a Sustainable Future", documents what leaders in the financial sector are doing.

This initiative emerged from a UNHQ hosted meeting that mandated the group to determine the nature and potential impact of the changes the leading financial institutions are undertaking to determine if finance is changing fast enough, has reached critical mass and will help the world address its biggest challenges and seize the opportunities to create a better world.

Having examined over 60 of the world's leading financial institutions in their asset classes and half of these engaging actively in ensuring their quantitative and qualitative case information was well reflected, we have a more holistic picture of the industry's actions that have a positive impact. As a result, this critical initiative has great potential to galvanize the thousands in the industry that are not doing enough and create a virtuous cycle of competition and collaboration among the leaders to drive the systemic changes needed to achieve the SDG goals during this 'Decade of Actions'. By nature of its position in the allocation of global capital, leading financiers can play a critical catalyzing role in addressing the SDGs and thereby ensuring the long-term sustainability of the system of enterprise that has driven the world's development and prosperity.

This "Capital as a Force for Good" report is the first to systematically document the finance industry leaders' active participation and increasingly proactive actions to address the world's challenges for good, and how they are redefining their purpose from shareholder capitalism to encompass a broader responsibility to stakeholders as well as the myriad of initiatives they have launched to finance change. It is distinguished also in considering the scale, scope and potential of the changes underway. It shows that the leaders of the industry are partnering with each other, civil society, national and transnational organizations and are setting an example as members of critical major UN initiatives too that are aimed at impacting the issues as well creating commitment and accountability for positive change going forward.

Finally, we are at the early stages of the war on climate change and the need to renew our war on poverty, inequity and injustice. The next decade will need to see structural changes towards renewable sources of energy, climate-friendly technologies, low-carbon equipment and more sustainable modes of consumption as well as the empowerment of women and the next generation of participants in the global economy from the developing and developed world. Capital has a big role to play in the delivery of that better world and we wish it every success in accelerating its impact to become a great "force for good".

Chantal L. Carpentier

Chantal Line Carpentier,
United Nations Conference on Trade and Development (UNCTAD) New York office of the Secretary-General

Will Kennedy,
UN Senior Programme Officer, United Nations Office for Partnerships

FOREWORD

I am Vidya Salunke.

I am from Ratnagiri, Maharashtra, and I came to Mumbai after I got married. I live here in a one-room *chawl* with my husband, our two children, my mother-in-law, my husband's sister and her son. For the most part, we are happy here. I came from a village and this city and this place has become my home. I have many friends here who have become like family to us.

But as our children are growing up, life is getting harder. I worry that my son will fall into bad company and I worry about my daughter's safety. We live by the sea and every monsoon season we are warned to leave the slum as there is a danger of being flooded or swept away. We have four common water taps shared between 35 families and we get water from 4pm to 8pm, so I have to make sure I fill enough water for 24 hours every day. I want more for my children than this place.

Before the pandemic, I used to work as a part-time cook in a few houses nearby, and my husband had a job with a diamond trading company. We had a decent income and were one of the fortunate few in our chawl. The coronavirus pandemic was very hard for us because buildings suddenly did not allow outside staff and I lost my fixed income and, at the same time, my husband was also laid off from his job along with 89 others almost overnight, with no warning. To make ends meet, I started selling spices and taking orders to make and deliver food and snacks, and I started doing housework - cleaning, dusting, sweeping - which I have never done before for money, and my husband got a job as a food delivery person. My husband and I decided to be positive and say: "so what if we lost our jobs, we have to do anything and everything, put our egos down and take whatever work we are getting to earn whatever we can."

We know that hard work is the only way out of this place, and that there is no other short cut. What we need to make our life better are not handouts, but basic job and food security. When my husband lost his job of 23 years, we had absolutely no protection, and we could not get government food rations because we were counted in a slightly higher income classification than the poorest because we had been in jobs. For some time, I was worried about how we will survive from one day to the next.

From banks we would like to have ways of making savings. I have kept aside money for my infant daughter, and my mother-in-law has also saved money, but we hardly get any interest on that. For children and seniors in particular, we need options that allow us to preserve and grow our savings so that eventually we can find a way out of this slum.

Secondly, it would be good to have loans to help us meet the costs of a quality education. It is very important to me that my children study in good schools as that is the only way out of this place for them, and with limited government education options, we are dependent on private schools. Before my husband was laid off, we were able, with help from a few charities, to afford to place our son in a good school that taught in English. But when our incomes suddenly stopped earlier this year, the school did not waive its fees, even a little, and told us that if we didn't pay, they would not let him sit for his exams. I was not able to get loans from any banks so had no other option but to go to local money lenders at really high interest rates, because I want my son to study and to do something better with his life.

I hope that I can continue my children's education and can send both to college. Especially my young daughter. In our community, daughters are married off by 14. But my daughter is very bright, and I know she will be able to make something of herself, and she is not destined to be a housewife with kids by the time she is 18. If I do not earn enough for her, my family cannot take on the burden of her education and may force me to marry her off. But if I earn enough, and can pay for her studies myself, I can stand up to them and let her study and do what she wants.

Eventually, I dream of buying a house in a good locality where my kids can play in peace. My son studies in a good school, and sometimes he feels bad because he lives in a chawl and his classmates all lives in nice apartment buildings. I would also like to give my son the sports equipment and training, as he is very talented and keen on sports.

Ultimately, all I really want is to give my children the best of everything, a better life than we can even dream of.

Vidya Salunke

Mumbai, India

MESSAGE FROM THE PROJECT TEAM

“Force for Good”, a Unifying Call to Action

The world’s challenges are our common concern. Progress has allowed us to break the boundaries that limited humankind in terms of where we live and how we live in ways beyond the imagination of previous generations. And so, we stand on the brink of being able to solve every major issue facing the planet. Our collective imagination, intelligence and efforts are not the barriers. The definition of who we call “we” has become an obstacle to our peaceful co-existence. As we grow in capability, and science and technology are inexorably pushing that forward, if we commit to growing mindfully of each other, with care and compassion, then these barriers will also fade away as an issue at a point in time.

Our success has taken its toll on the planet with massive degradation of its ecosystem and has hurt its renewability and resilience.

Our success is also not widespread and has left many out of the peace, prosperity and freedom that others have enjoyed. Vidya Salunke’s story is unique, but her situation is not. Like many millions of people across the world, she is one step above the slums and one step below financial security. Her position is fragile, and any number of shocks can knock her down into poverty. Sustainable development and financial inclusion are required to provide her with much needed stability and the opportunity to make the next step. Such issues are not just relevant to developing countries, they are also relevant to many living in the richest countries and their most prosperous cities. The price for not solving this is evident in the statistics that reveal the plight of so much of the world and in protests and conflicts at the ballot box and in the streets across the world. Ultimately, the next stage will require us to solve for all.

Money is not the problem. We have shown we can finance almost every need. That will certainly have to be paid for at some point, but the current pandemic has proven that we can inject it at will to address crises we judge to be worthy.

This project was launched with the idea that capital can be a catalyst that changes the world for good. It also recognized that the leading financial institutions have women and men who are turning their organization’s capital to do good in a myriad of ways. It acknowledges that other stakeholders from individuals as consumers to manufacturers, scientists and governments all have to play their role for lasting change if the overall system of capitalism is to change and the world is to see sustainable development and be prepared for the challenges ahead in the transition to a new model of civilization in the post carbon energy era ahead.

The report finds an increasing alignment of interests to do good in the world within each of the organizations examined, and between the industry as a whole and the society in which it operates, nationally and internationally. There is a broad and growing common ground, from which each is determining how best to break the boundaries to have an even greater impact.

This report takes all that data and events and turns it into an analysis of how the leading organizations in the finance industry are changing the way, and for what, capital is deployed and as a result changing the system of capital, and the flow of funds across the world. Their actions and initiatives also set the bar for what the industry as a whole will need to rise to. And this in turn will catalyze further changes across the industries they finance. Stepping back from the flow of information, it is clear that a movement of quite dramatic change is underway and the trajectory and momentum of it holds the promise of making finance a force for good, for the common good.

The journey is at an early stage, despite some of the bold initiatives that are underway, and is an exciting and profoundly important one for the world as a whole. Its success will reshape finance, capitalism and allow the world to address its most important challenges, seize opportunities and finance the future, whatever that may be.

Best wishes for our collective future.

Ketan Patel,
Project Lead and Chair of the Steering Group, 'Force for Good Project' on the Future of Capital

Lawrence Ford,
Senior Representative,
FutureCapital

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The 'Capital as a Force for Good' Report was prepared by a team led by Ketan Patel, Christian Hansmeyer and Nandan Desai, with review, feedback and insights from Katherine Collins, Frank Dixon, Lawrence Ford, Gil Friend, Steven Lovink, Terry Mollner and Mark Sloss of the Steering Group.

Final Review and Insights were provided by Chantal Line Carpentier of UNCTAD and William Kennedy of the UN Office for Partnerships.

Analysis and Presentation was provided by Greater Pacific Capital's Christian Hansmeyer, Nandan Desai, Aditya Ajit and Anukansha Birla, and project administration was provided by Lesley Whittle.

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Project Initiation, the UN and Future Capital, in conjunction with WAAS, also receive thanks for hosting an event on 11th-13th September 2019 to examine the subject of the 'future of capitalism' and in particular the relationship between 'consciousness' and 'capital'. Future Capital is a 'formative assembly' providing a platform for individuals and organizations around the world to work together on initiatives for the common good and its leadership were instrumental in convening and curating a group that initiated ideas to make an impact in support of the SDGs. WAAS was founded in 1960 by eminent intellectuals and serves as a forum for scientists, artists, and scholars dedicated to addressing the pressing challenges confronting humanity today independent of political boundaries or limits to arrive at solutions that affirm universal human rights and serve the common good of all humanity. The co-creators of this initiative were Chantal Line Carpentier and Will Kennedy of the UN, working in conjunction with the Steering Group of this project.

ABOUT THIS REPORT

This report examines the extent to which leading institutions in the finance industry, across geographies and asset classes, are a proactive ’force for good’ in the world. This examination is based on a specific definition of ‘good’ that takes into account their implementation of ESG, sustainability and stakeholder policies and practices and the implied shift in values, and also the ‘force’ or strength of the impact of their initiatives and how the multi-dimension and scale of these initiatives result in actual and positive changes in the world, and the extent to which this is evident in terms of the more traditional metrics of financial performance.

The report’s objective is to increase awareness of the finance’s industry’s engagement as a ‘force for good’ and to galvanize change in the broader financial sector and beyond for a sustainable future and can provide a roadmap for others to follow. Public perception and media coverage of the finance industry’s efforts has lagged behind its activity, with industry leaders playing an increasingly active role in driving potentially systemic change. Their actions can potentially mobilize leaders in other major global stakeholder groups including consumer interest groups, producers and distributors, governments and scientists to proactively drive change.

The report aims to identify the ‘common ground’ of actions of finance industry leaders, and how they are breaking new ground. If the common ground between the most successful organizations in the industry is high, and it translates into superior performance, it further reinforces the bar for others who are seeking that status.

To do this we examine the initiatives of a representative group of 63 leaders of the finance industry utilizing multiple frameworks to determine the extent to which they are emerging as a potential ‘force for good’. The framework has two parts. Part one assesses policies, processes, and procedures that the 63 leaders in our database have established and they are divided into three dimensions: ESG programs, environmental sustainability and stakeholder engagement. The second part of the framework assesses the impact of activities of selected institutions, with these activities classified in a ‘force for good’ framework of ‘being good’, ‘doing good’ and ‘leading for good’.

This report utilizes a detailed dataset of initiatives developed ‘organically’ across the categories of the framework described above compiled using publicly available information for 63 leading financial institutions, which for the purposes of this report are referred to as the leaders of the finance industry by virtue of their size and power providing them with a disproportionate influence over the sector. Together, these institutions represent US$102 trillion of global assets (both owned and managed), or 29% of the world’s total, split across banks, asset managers (include various types of investment funds such as government pension funds, sovereign wealth funds, and hedge funds) and insurance companies.

The critical underlying questions this report seeks to address are whether capitalism is aligned with the world’s needs and in particular the SDGs or in opposition to those; whether the world’s leading financial institutions are aligned with the world’s needs and in particular the SDGs or in opposition to those; whether this is an individual phenomenon for financial institutions or is systemic; whether the world is at a tipping point where the leaders of the finance industry are or are set to become a force for good, and; if so, whether the change is sustainable or self-sustained and so the path ahead is positive for the world at large.

The purpose of this report is not to launch or endorse any specific new initiatives, nor to present a benchmark or comparison of the institutions with each other, but rather to answer the broader question of whether the financial industry as a whole is establishing a common ground, whether it is already, or to what extent is becoming a ’force for good‘ in the world, and whether the industry is fulfilling its potential of driving systemic changes that helps to create a more fit-for-purpose finance industry as well as catalyzing capitalism to address the key challenges and opportunities facing the world today in a time of historic change.

CONTENTS

FIGURES, TABLES AND INFOGRAPHICS

ABBREVIATIONS AND EXPLANATORY NOTES

AI	Artificial intelligence
AuM	Assets under Management
BAME	Black, Asian and minority ethnic
Bn	billion
CDFI	Community development financial institution
CDPQ	Caisse de dépôt et placement du Québec
CEO	chief executive officer
CII	Council of Institutional Investors
CIN	Ceres Investor Network
CIO	chief investment officer
CSR	Corporate social responsibility
EMEA	Europe, the Middle East and Africa
ESG	Environmental, Social and Governance
FY	Financial year
GCC	Gulf Cooperation Council
GIC	Global Investment Corporation Private Limited
GIIN	Global Impact Investing Network
GRESB	Global Real Estate Sustainability Benchmark
HDFC	Housing Development Finance Corporation Ltd.
ICGN	International Corporate Governance Network
ICMA	International Capital Market Association
IIGCC	Institutional Investors Group on Climate Change
III	Impact Investing Institute
ILO	international Labour Organization
IoT	Internet of Things
JPY	Japanese Yen
LGBTQ+	Lesbian, gay, bisexual, transgender, queer/questioning
M	million
NGO	Non-government organization
p.a.	*per annum*
PMAY	Pradhan Mantri Awas Yojana (housing scheme)
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Program
UNGC	United Nations Global Compact
UN-PRB	United Nations Principles of Responsible Banking
UN-PRI	United Nations Principles of Responsible Investing
US	United States
US$	United States dollars
SDG	United Nations Sustainable Development Goal
SASB	Sustainability Accounting Standards Board
TCFD	Financial Stability Board’s Task Force on Climate-related Financial Disclosures
TIAA	Teachers Insurance and Annuity Association of America

EXECUTIVE SUMMARY: CAPITAL AS A FORCE FOR GOOD

We live in an era of global prosperity unrivalled in human history, with the economies of the world generating wealth at a near unprecedented rate. While economic activity has driven progress in human development and the quality of life globally, the world is today facing a series of increasingly urgent challenges that, if left unaddressed, threaten to derail or potentially undo the progress the world has made in the previous decades. Many of these challenges have been inadvertently fueled by the same mechanisms that have driven global growth and prosperity, and so comprehensively addressing these challenges will require systemic changes to the underlying economic system that gave rise to them. The current global coronavirus pandemic has brought many of these challenges into stark focus revealing critical differences in resilience in the world, including its ability to act together, and to be unified within countries.

There is widespread and growing recognition of both the urgency and the interconnected nature of the challenges facing the world, many of which are deeply entrenched in its system of enterprise and will require the efforts of all global stakeholders to address. Accordingly, they have become increasingly critical areas of focus for international institutions, governments, and the private sector to address. The United Nations formulation of the 17 Sustainable Development Goals (SDGs) has been a landmark in the development of global awareness and action, signed by 193 countries, and they have led to increasing numbers of government and private sector initiatives seeking to drive tangible action for their achievement, including by the finance industry.

The finance industry, by nature of its privileged position in the allocation of global capital, can make a potentially disproportionate impact on addressing the world's challenges and ensure the long-term sustainability of the capitalist system that has driven the world's development and prosperity. Moreover, the industry, and its leaders in particular, is taking an increasingly proactive position in addressing many of these challenges for the common good, aligning its objectives with the need for greater sustainable development and the SDGs in particular, and embracing a broader responsibility to stakeholders, thereby becoming an increasing 'force for good' in the world.

Fundamentally, the industry's impact as a 'force for good' rests upon its actions across three areas: mindful conduct promoting environmental, social and governance (ESG) goals, caring for the planet through sustainability, and through demonstrating compassion for all stakeholders, with the ability to allocate capital being the most powerful tool available to it, alongside other direct actions and initiatives that make an impact on major issues and opportunities.

This report examines the initiatives of a group of 63 leaders of the finance industry drawn across geographies and asset classes, representing approximately US$102 trillion of assets, utilizing multiple frameworks to determine the extent to which they are emerging as a potential 'force for good', with two primary objectives in mind: (i) understanding the 'common ground' i.e. the emerging set of initiatives that is establishing a de facto market standard of behaviors and initiatives, and (ii) identifying the initiatives by industry leaders which break new ground and have the potential to make a disproportionate systemic change for good in the world.

The finance industry's leading organizations, with a growing awareness of the extreme challenges facing the world, are taking an increasingly proactive position in addressing these challenges, redefining their purpose to act for in the common interests of all stakeholders

All of the companies examined have active programs for ESG, sustainability, stakeholders and making an overall impact, and this report outlines the extent of these, with all companies having adopted ESG policies in their investing processes and in their organizations, and the overwhelming majority proactively promoting ESG, sustainability and stakeholder management through client and customer engagement and proactive investing activities.

Their specific programs they have launched reveal a change in strategy and priorities that the leaders of the industry have set and share in common, which have been translated by each of them to realign their organization's core activities. Taken as a whole, the group have highly ambitious plans to impact the world across a range of global, national, and local issues, driven by a rising awareness of their role in the world.

The leaders of the finance industry's engagement as a 'force for good' is substantial and multipronged and has been analyzed in three categories of activities: (i) 'being good' initiatives that internalize the goals the organization is trying to promote or see it engaging with stakeholders as a good citizen, (ii) 'doing good' initiatives in which the finance industry aligns it business with its goals to change the world by impacting capital flows, and (iii) 'leading for good' initiatives where leaders align their own organizations, their capital and the broader stakeholder community to make direct impacts on major issues and opportunities. It is the cumulative impact of all these initiatives that potentially makes the finance industry and its actors a potent "force for good" in the world, both individually and collectively. Major indicators include:

US$12 trillion being consciously allocated to activities to promote good, from over US$100 trillion of AuM following ESG policies and practices

- US$12.5 trillion of AuM (12% of total assets) consciously incorporate ESG factors into their investment decisions to promote activities for good
- 100% have adopted ESG and sustainable investing targets, representing US$102 trillion.
- 98% apply a series of ESG screening metrics to proactively promote the funding of what they see as sustainable projects and enterprises
- 90% have publicly affirmed their commitment to serve the broader stakeholder community
- 97% of the leading finance industry participants in this study, with combined total assets of US$101 trillion, have committed to actively reducing their own carbon footprint
- 84% have prioritized climate action as an urgent organizational priority
- 73% offer or invest in ESG or sustainable products (e.g. green bonds, sustainable loans, etc.
- Industry leaders are setting goals to address global challenges and reorganizing their businesses to achieve them, including working with governments to solve national challenges and creating new global institutions to solve international ones.

All 'force for good' activities broadly support the SDGs, with the finance industry increasingly focusing on the SDGs explicitly as a framework for focusing and communicating their broader citizenship, sustainability, and governance initiatives, with 13 (out of 17) SDGs having been specifically highlighted as areas of focus by the 63 financial institutions examined.

The finance industry is recognizing the need to make a material impact on the UN SDGs, with 75% of the SDGs specifically targeted thus far

The common ground among industry leaders is substantial and provides a strong base from which they can collectively act as a 'force for good'. The absolute scale of their collective actions is reaching a tipping point that will enshrine an increasing number of sustainable behaviors and policies as market standards for the wider finance industry and form a strong base for even greater engagement by leaders. This remains critical given that current industry commitments, while significant, remain insufficient to preserve the rainforest, avert climate change, or solve for mass inclusion.

For their actions to be sustainable, industry leaders will need to demonstrate the benefits of their actions in terms of improved performance to their stakeholders. There is an increasing body of empirical evidence that makes the business case for sustainability and sustainable investing strategies in terms of returns, risk and diversification. Moreover, the (listed) finance industry leaders analyzed in this study acting as a 'force for good' have delivered a 24% premium over industry benchmarks in terms of total shareholder returns over a 10-year period, showing a strong correlation between the level of engagement and the returns premium generated. Among this group, the companies engaging in the most significant activities generated the highest returns and a premium of 86% over benchmarks.

It is increasingly clear that doing good translates into superior returns and doing more good delivers even greater returns, for those that do it well

The initiatives of the leading financial institutions provide foresights into a series of mega-trends, big ideas and themes, with the potential to reshape not just the finance industry, but the wider financial system, and even the shape of the world over the coming decades. They point to aligning the world to fund the UN SDGs, fight climate change, drive mass inclusion and funding future breakthroughs in key technologies that enable inclusion, potentially using radically different models of finance that will empower individuals and organizations to make conscious, informed and effective choices that have a positive impact on the world.

This report looks at the direction of travel of the leaders of the finance industry and at its potential long-term trajectory as a positive force for change in the world. Historically, the finance industry has been critical to funding virtually every undertaking of any significance in the world, funding not just innovation, our economies and progress, but also wars, and the exploitation of natural resources and even people. This study finds that finance industry leaders are clearly aware of the industry's powerful role in the world and are increasingly choosing to be a 'force for good'. The resulting transformation of the industry to actively address global challenges will be a gradual process as companies evolve, learn, and adapt. During this process of change, there will undoubtedly be setbacks, with some institutions lagging and others faltering along the way. The long-term direction of travel however is becoming increasingly clear and it is positive.

1. THE FINANCE INDUSTRY POSITIONING AS A 'FORCE FOR GOOD'

The Role of the Finance Industry in Shaping the Future of Capitalism

Following a century and a half of global development under industrial capitalism, the world today faces a number of increasingly critical challenges that risk undermining further progress. Many of these challenges are directly linked to the very system of enterprise that has delivered unprecedented prosperity to the world and cannot be resolved in isolation as a result. Given the finance industry's position as the primary allocator of global capital, it has a critical role to play in shaping the future of sustainable capitalism that addresses the world's challenges while continuing to deliver growth and prosperity.

During the past 5,000 years, finance – consisting of the financial markets, their participants and the instruments employed – has funded industrial development, technological advancement and human progress, as well as financing the conflicts of the rulers of the day, adapting and innovating as required along the way. During this time however, the finance industry itself – comprising banks, capital allocators, intermediaries, brokers, investors and other financial services providers – has rarely coordinated as a whole unless required to do so by other powerful players, and even more rarely taken a coordinated or active approach to address pressing global issues. With rare exceptions, financial institutions throughout history have not seen themselves as a primary actor for social, political, environmental, or technological change, their primary role being the allocation of capital for the generation of risk adjusted returns.

The finance industry's self-conception is undergoing fundamental changes and is leading to new sustainable systems and processes with some launching ambitious new initiatives to address critical global and local issues.

However, the finance industry's self-conception of its role and responsibilities is undergoing fundamental changes. Global connectivity, supported by the internet and social media, is driving the increased awareness of critical global issues among people and institutions across the world. Governments and regulators are increasingly recognizing the need for policies to align stakeholders and address global challenges, and industry leaders across all industries have recognized that more responsible and sustainable models of business also lead to more successful businesses.

Driven by these factors, there are signs that the finance industry, with great variation across countries, sectors and companies, is embracing a more 'responsible' or sustainable form of capitalism, adopting new systems and processes and re-orienting itself towards a more responsible and sustainable business approach that drives global development. Some in the industry have also launched ambitious new initiatives directly as sole agents or as a collective that aim to address critical global and local issues. The leading institutions in the industry recognize the world is facing extreme challenges and the moment is now for them to act. How to do that and in what scale is also becoming clear to these leaders and their people at multiple levels in their organizations.

The World in Transition, Facing Existential Threats

Progress, freedom, and opportunity have become the watchwords of our global civilization. Peoples have demanded it and sacrificed themselves for these ideas in every corner of the world. Leaders at every level from family, community, nation to global institutions have strived and organized to overcome every major obstacle to seize the opportunities of a more globalized, democratic and free world. Technology and media have spread the awareness of the essential right to have these benefits to every individual in the world creating an urgency for their delivery.

In order to deliver these rights, much of the world has risen to the challenge and made major breakthroughs in science and technology, unleashed new enterprises ranging from the scale of an individual to a global corporation that can reach the whole world with technology regardless of where things are made, formed regional political and economic unions and worked in collaboration across national boundaries as a set of united nations. Global economic output has increased fourfold between 1980 and 2019, from US$20tn to US$87tn[1], while global trade expanded from c.US$2tn to c.US$18tn[2]. Over the same period average life expectancy has improved from 62 years to nearly 73 years[3], war related deaths globally are down 80%[4], child mortality is down by more than half, and conflicts overall are less deadly, often waged between domestic groups rather than states. There is compelling evidence that the world's long-term trajectory is one of increasing peace, prosperity and freedom globally.

Progress, freedom, and opportunity have become the watchwords of our global civilization. The overwhelming success in delivering these has left the world with almost perfectly matching major challenges

However, the world is also facing a series of increasingly urgent threats that, if left unaddressed, threaten to derail or even undo much of the progress the world has made in the previous decades. It seems that the flip side of very major success is a major failure. So, overall global prosperity continues to rise even as the wealth gap increases between the rich and the poor, technology continues to provide both advancements in living standards and decimates traditional manufacturing jobs, income growth provides major advancements in living standards taking populations out of poverty while increasing the rate of depletion of the world's natural resources, and economic growth and overall human activity comes at the cost of driving a crisis in the ecosystem of the planet itself.

These challenges fuel instability, give rise to isolationism and xenophobia, as well as a loss of trust in traditional political, social and economic institutions that have thus far underwritten the global order and civilization, and with rising national populism supporting factions within countries, national interests and generally transactional and anti-multilateral policies, threaten to slow or in some cases undo the world's progress. Further, the world also faces a series of existential threats such as climate change and, once again, conflicts between great powers with weapons of mass destruction, alongside dislocations of an economic, social, environmental and technological nature, with potentially catastrophic consequences for global civilization. More recently, the global coronavirus pandemic has exposed a lack of resilience across major countries in the world and exacerbated many of its challenges, straining healthcare systems, decimating economies and disproportionately impacting socially and economically vulnerable populations.

The pandemic has revealed the vulnerability of public health systems, economies, trade, society, incomes and people and most importantly the state of political and international systems of governance

By the end of 2020, the pandemic had infected over 70 million people, killed 1.5 million, decimated global economy economic growth down to a negative 4.3% (from a positive pre-pandemic projection of 3.4%),[5] destroyed 495 million jobs, wiped out 10% or US$3.5 trillion of global labor income in the first three quarters of the year, [6] pushed an additional 88 million people into extreme poverty this year[7] and raised global indebtedness by US$19.3 trillion.[8] This has happened without a 'war room' approach with world leaders coordinating the effort to contain and combat the deadly attack on the world's economies, societies and healthcare systems. With the injection of stimulus packages of US$15 trillion[9] and the rapid development of vaccines, the chances of turning this tide are now clearer, but the deeper vulnerabilities of the world's political, economic and social systems have been exposed.

The pandemic has added to an already exposed situation. Stepping back from the multiple shocks of 2020 and the aftermath of these that will continue into 2021 and beyond, the challenges facing the world are the results of deeper and longer term trends, in particular the rise of an information and knowledge based era to replace the industrial one, the rise in the global population from 6.1 billion people at the beginning of this century to nearly 10 billion[10] by 2050, the depletion or increasing full cost of accessing the natural resources required to satisfy demands, the cycle of rising great power rivalry between America and China, and the instant interlinking of all of humankind as a collective through technology for the first time in history. These are powerful forces, magnified by their concurrence, reshaping the world, and marking the end of the current civilization and setting the stage for the next one.

Widespread Recognition of the Need for Fundamental Change

There is widespread and growing recognition that the challenges facing the world are interconnected, and individually and together represent risks to the sustainability and further progress of hard won peace, prosperity and freedom, threatening lives and livelihoods across the world, with a majority of respondents across major countries surveyed identifying climate change (70%), infectious diseases (69%), terrorism (66%), cyber-attacks (65%), nuclear proliferation (61%), the condition of the global economy (58%) and global poverty (53%) as major threats.[11] As such, they have become the critical areas of focus for international institutions, governments and the private sector to address. The coronavirus pandemic has only accentuated the problems and is threatening for some to undo much of the progress that was hard-won over decades.

Many of today's challenges have their root causes in the core pillars of the global order that has delivered peace, prosperity, and freedom for the past 70 years

The United Nations Sustainable Development Goals (SDGs) are perhaps the most ambitious initiative globally in this regard. These 17 interdependent goals are designed to be a 'blueprint to achieve a better and more sustainable future for all', and include (1) No Poverty, (2) Zero Hunger, (3) Good Health and Well-being, (4) Quality Education, (5) Gender Equality, (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (8) Decent Work and Economic Growth, (9) Industry, Innovation and Infrastructure, (10) Reducing Inequality, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production, (13) Climate Action, (14) Life Below Water, (15) Life On Land, (16) Peace, Justice, and Strong Institutions, and (17) Partnerships for the Goals. Each of these goals is the result of decades of consensus building among UN member states, all 193 of which have adopted the goals and their development agenda, underpinned by a series of targets and relevant indicators to measure progress through to 2030, the target date for their final achievement. Within the broader SDG framework, the UN has launched or sponsored numerous international initiatives in pursuit of specific goals or to engage with particular stakeholders, such as the Paris Agreement on climate change, in which 189 countries have committed to CO_2 emission reductions, or the United Nations Global Compact, an international sustainability initiative for the corporate sector with over 13,000 participants across 170 countries.

National, regional and municipal governments are also pursuing ambitious sustainability and development targets with an increasing number of countries pushing for an energy transition and setting dates for achieving carbon neutrality, passing gender equality legislation, reforming welfare, health and social security systems, and strengthening environmental protection, to name a few.

These initiatives are mirrored by an increasing number of initiatives by the private sector, both by corporations acting through industry associations, in small groups and unilaterally. Global private sector engagement on sustainability and sustainable development has evolved significantly during the past 20 years, starting with corporate social responsibility (CSR), which began to widen corporate self-conception of social responsibility, broadening to environmental, social and governance (ESG) initiatives and more recently expanding beyond prioritizing the needs of shareholders alone to wider stakeholders to expand corporate accountability and responsibility and aligning with the SDGs.

These cumulative efforts have set in motion a multitude of initiatives to address the challenges facing the world today and make significant progress across many of the specific 2030 targets associated with the SDGs. However, it is important to recognize that many of these challenges have their root causes in the core pillars of the global order that has delivered peace, prosperity and freedom for the past 70 years: free-market capitalism, globalization and democracy. And while the resulting challenges are unintended, they are inextricably linked with the systems at the core of the global order.-Clearly, the world, as it is motivated today, wants all the benefits of capitalism without the costs.

Among the pillars of the current global order, capitalism as an economic and political system stands unrivalled in the delivery of global wealth creation, how that wealth is distributed being a matter for governments to address. The Global Financial Crisis was a global phenomenon that brought home the risks inherent in the system, and the significant economic and social costs of it. There is growing awareness that the current global financial system is not accurately pricing the benefits of positive externalities and the costs of negative externalities, leading to capital allocation that is sub-optimal for society as a whole.[12] Much of the popular angst and anger has focused on 'Big Finance', a proxy for the largest financial institutions, and its role in the crisis and its origins. This, in turn, has cast increasing doubt on capitalism itself.

An increasing number of countries are targeting carbon neutrality, passing gender equality legislation, reforming welfare, health and social security systems, and strengthening environmental protection which will require crisis levels of financing

However, a deeper examination reveals that it would be unfair, or at the least superficial, to assert that the finance industry is responsible for the challenges posed by the system of capitalism. The shortcomings of the system, just like its successes are an integral part of the system and how it works today. The starting point is the recognition that societies across the world have come to define progress as increasing consumption and the accumulation of material goods, with citizens everywhere demanding more, and better, of nearly everything, whether it be foods and clothes or roads, homes and schools. Indeed, mass media in all forms have created and reinforced a link between happiness and consumption, reinforced by the metrics that link consumption and progress, measured by the imperfect GDP metric. This has led to the phenomenon of mass consumerism, which has created a demand-driven global economy whose never-ending needs are met by global supply chains harvesting and extracting resources from across the world to meet the demand. Governments and political systems are judged on their ability to meet consumers' demands, and either deliver on these or risk falling, whether at the ballot box or in coups and revolutions. Global corporations, similarly, deliver or fall in their markets if they fail to play their part, and the financial institutions who fund them rise and fall with them. This system inevitably leads to the harvesting of the planet and its resources with little accounting for the impact of that harvest. Scientific breakthroughs become dedicated to finding ways to do this more efficiently or effectively, which contributes to both the benefits and the damage as decoupling tend to increase absolute consumption.

Everyone is both a participant and a contributor to this system. Financiers are not the only ones responsible for a system where everybody – consumers, media companies, resource businesses, manufacturers, trade organizations, politicians, entrepreneurs, and scientists – plays their part. In the absence of interventions, the continuing success of this cycle however will exhaust the planet and its ecosystem and leave many of the world's challenges unresolved.

The question of whether the capitalist system is aligned with the world's needs and sustainable development requirements is in some ways moot. The system is a means for matching supply and demand, and for allocating resources based on the needs and desires of its participants. The system will automatically adapt to reflect the changing priorities of its stakeholders. However, given the interrelated nature of the system, fundamental and long-term change will require the alignment of all participants. An example of this would be a change in the values of participants across the system so that they no longer link consumerism with happiness, and the system ceases supplying that as a result. Such a change requires the simultaneous and collective buy-in of every participant and is therefore unlikely to happen without a massive change in global awareness. The other more likely path, for now, is that science and technology provide the innovations to enable the unsustainable demands for natural resources to be substituted by alternatives and thereby alleviate the most destructive elements of the system. While this continues to perpetuate the link between happiness and consumerism, it potentially saves the planet. For the alternatives to take root in the system requires the participants to insist on the adoption of the alternatives.

The success of the current system of capitalism is such that everybody - consumers, media companies, resource businesses, manufacturers, trade organizations, politicians, entrepreneurs, and scientists - plays their part in harvesting the planet and its resources

Given the critical role of the financial system as the provider of capital that enables consumers to consume, manufacturers to manufacture, traders to trade, scientists to invent and politicians to have the economy (and other things) they need to govern, the finance industry is perhaps one of the key catalysts for the changes required to solve the stored-up problems of the last era and prepare the world for a more sustainable, peaceful and prosperous future. As the intermediary for 90%[13] of the world's net liquid assets, the finance industry has a disproportionate impact on the flow of global capital and therefore on the shape of the global financial system itself, resulting in an equally disproportionate ability to *re*shape the system as well.

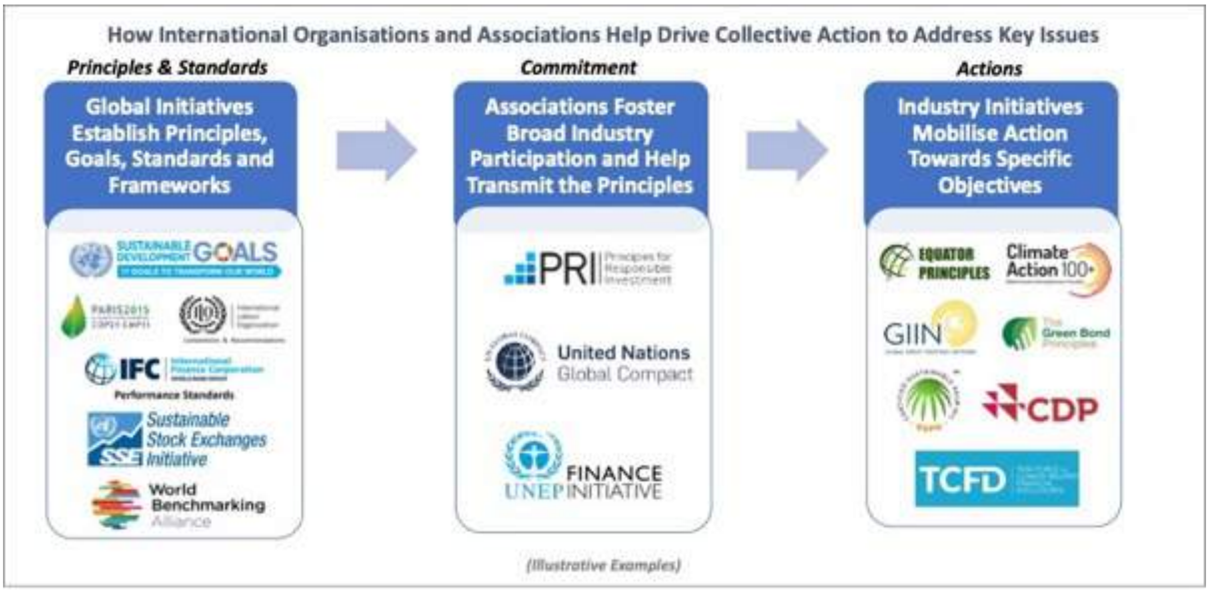
Initiatives Driving Progress

Increasing awareness of the strains resulting from our current way of life and of the system that enables it has already driven a significant global effort to drive change. The United Nations has been at the forefront of many of these initiatives, as previously mentioned, and has helped coordinate with other international organizations and global stakeholders including non-government organizations and the private sector to drive various collaborative efforts that help drive progress in this regard.

Over the last three decades, starting with the Rio Earth Summit in 1992 which led to the adoption of Agenda 21 (an initial action plan on sustainable development) and culminating with the adoption of the 17 UN Sustainable Development Goals by the General Assembly in 2015, the UN has helped shape a broad global consensus between stakeholders on various sustainability related issues, establishing shared principles and objectives, along with the common standards needed to ensure widespread participation. The UN has used its convening power to partner through many initiatives with the private sector and the finance industry in particular, being cognizant that achieving the SDGs will require its support and participation. UN led initiatives like the Sustainable Stock Exchanges initiative, organized by UNCTAD, the UN Global Compact, UNEP FI and the PRI are reflections of the industry's current tendency to be and do good in the world, and seek to address the challenges of scale, speed and direction of capital flows to the SDG sectors, especially in developing countries.

The SDGs have been embraced by the world and their importance is making its way into the priorities of private enterprises seeking to deliver the common good

Figure 1.1: How International Organizations and Private Sector Associations Help Drive Collective Action to Address Key Issues



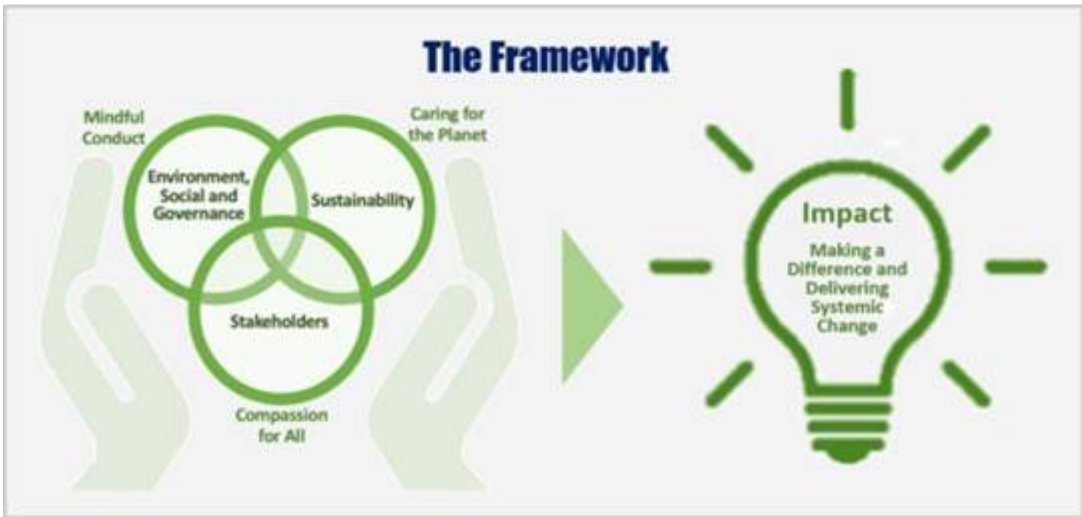
As a result of these initiatives and working with the international convening organizations, the finance industry has made collective progress rapidly in accepting and internalizing changes. These efforts have led to the formulation of common global goals, alignment around shared objectives, the establishment of principles and targets focuses action, the implementation of standards supporting efficient and consistent execution enabling the coalescing of a large enough and respected collective to encourage the broadening of participation across the industry (and with other industries)

A Framework for Analyzing the Financial Industry as a 'Force for Good'

This report examines the progress being made by the leaders of the finance industry, how this might affect the system of capitalism and to determine the extent to which the industry is seeking to become a 'force for good'. If most of the leaders of the finance industry examined are planning to go, or already are going, well beyond the mantra of 'doing no harm' while pursuing the delivery of returns, seeking to proactively become a 'force for good', this holds the promise of catalyzing fundamental and positive changes in the system overall.

So, how does one assess whether the financial industry driven by its leaders is indeed adapting and evolving into a 'force for good'? A simple idea lies behind the assessment of 'good' presented in this report, namely that, for a given environment, change can come from both actions and intentions, or values. The report's assessment focuses primarily on the actions initiated, which can be clearly evidenced, while keeping an eye on the values that they might embody. The second aspect of the assessment looks at the impact of the actions initiated for evidence of the strength of the 'force' for good.

Figure 1.2: Framework for Assessing the Finance Industry's Status as a 'Force for Good' and an Agent of Systemic Change



The Metrics Evidencing Actions and Values

The core of the assessment is based on the policies, processes, and procedures that leaders in the finance industry have established and are executing. This is used to find the emerging common ground among the industry leaders, which forms the basis for the industry acting as a 'force for good.' These processes and procedures can be grouped into three broad categories based on the direction of their engagement, recognizing that there is some natural overlap between them namely:

1. **ESG – Mindful Conduct.** The adoption of ESG policies and systems, and systematically monitoring the environmental, social and governance risks and impact of activities, represents a process by which organizations become more mindful of how they allocate capital and conduct themselves.

2. **Sustainability – Caring for the Planet.** Driven by concerns over the environment in which one operates and the impact of climate change and resource sustainability, leading to the adoption of more sustainable approaches to their own business and making choices on what to finance and when to provide or withhold financial products and services with the aim of sustainable development and environmental preservation demonstrates and engenders values of caring for the planet as a whole.

3. **Stakeholders – Compassion for All.** Adopting a multi-stakeholder approach by leveraging their position and resources to engage, support and care for a wider interest group including employees, local communities, customers, and other organizations, orienting their business around delivering a positive impact in addressing broader issues, raises the level of compassion of the organization and allows it to operate as a broader citizenship in the world at large.

The findings are presented in Chapter 3 of this report.

Assessing the Impact

The force of the impact that the industry is having in doing good is a function of the specific actions and initiatives they are executing, which have been examined under three categories, namely:

1. **Being Good.** The first category includes initiatives focused on being good citizens 'at home '. This category includes both internal and external activities related to how the organization conducts itself. Examples of the former include workforce diversity and hiring programs or employee wellness initiatives, among others. Examples of the latter include waste and resource reduction commitments, and charity and volunteering initiatives. These initiatives impact the system since role-modelling encourages others and the cumulative actions of many agents ultimately changes the status quo creating a multiplier effect in the impact

2. **Doing Good.** The second category of engagement is the indirect method, wherein the finance industry, acting as individual agents or a collective, decides for what purpose and activity they will supply finance. Deciding the criteria by which to allocate capital, beyond profit alone, is a powerful mechanism which, at the inception of a transaction, determines the chances of achieving a positive or negative end-effect, for example not investing in projects that emit toxic wastes into rivers. In this second category of engagement, the finance industry focuses on doing good by using exclusion criteria to starve out economic actors that are harmful, thereby pushing the system to become clean.

3. **Leading for Good.** The third category of engagement is the direct method, wherein the finance industry is 'leading for good,' directly in the world at large. At this level, either as a single agent or collaborating with external stakeholders (particularly government, business, civil society and citizens), the finance industry acts as an agent for achieving global objectives by mobilizing both capital and the broader stakeholder community to drive initiatives that are designed to make a direct impact on major issues and opportunities. By rising to become

leaders for the common good, the finance industry can transmit changes directly into the world and impact it for good. Either as an organized collective, or through competitive dynamics, the finance industry is in a unique position to drive global action to create a more sustainable future for the world.

The findings are presented in Chapter 4 of this report. This analysis does not seek to propose a judgement on individual financial institutions or on how best they should act in order to deliver good and so any comparisons and analysis is undertaken to identify the common ground, and to examine their cumulative impact potential as a 'force for good'. See Annex V – Important Notices.

Measuring Performance for Being a 'Force for Good'

There is an oft heard assumption that 'being or doing good' comes at the cost of traditional financial returns performance. This report presents some of the evidence from external sources as well as indications from this work to shed light on the implications for performance of doing good.

While one of the findings of this report is that the industry's conception of performance is increasingly widening beyond financial returns to include broader social and environmental externalities, both positive and negative, until capital markets more broadly align with these broader considerations, the term 'performance', for the time being, still refers to achievement across financial returns related metrics. The key aspects therefore that are examined are as follows:

1. **Performance Across Industries.** This draws on the body of evidence examining the correlation between ESG policies and financial performance, including the revenue growth, productivity, and costs, among others.
2. **Performance in Investments based on Adoption of ESG.** This draws on work to date on the operational performance benefits of adopting ESG and other sustainable practices as they related to the value delivered to investors.
3. **Performance Based on Being a 'Force for Good,' Beyond ESG.** This examines the differences in performance between the financial institutions examined as part of this work based on the relative differences between their initiatives that define their being a 'force for good'.

The findings are presented in Chapter 5 of this report.

The growing awareness of the extreme challenges facing the world has been a call to action for change across countries and industries, with the interrelated nature of the global economy implying a coordinated and system-wide effort is needed to address them. As the primary allocator of the world's capital, the finance industry is in a privileged position to catalyze holistic change and inspire others to create sustainable prosperity for the world.

2. THE COMMON GROUND AMONG LEADERS OF THE FINANCE INDUSTRY

Industry Leaders Setting the Bar for Impact

The finance industry has become increasingly active in driving sustainability and sustainable development. A substantial common ground is evident between the leaders of the finance industry

- **90-100% of institutions in the analysis have implemented ESG policies and started reporting to shareholders, adopted a multi-stakeholder approach, started integrating ESG criteria into their decision-making, and are focusing on the SDGs.**
- **80-95% of institutions in the analysis have deeply integrated ESG into business processes with senior level oversight, are looking at a wide variety of ESG criteria, focusing on multiple SDGs, actively participating in various international ESG and sustainability associations, and investing significantly in their employees and communities.**
- **50-75% of institutions have started going significantly further, capturing and reporting detailed ESG metrics, using ESG exclusions to phase out financing or otherwise supporting or participating in harmful activities, making a tangible impact across multiple SDGs.**

The leaders in the finance industry have launched a wide array of initiatives across each of the categories in the 'force for food' framework outlined in the previous section that are (i) designed to integrate ESG considerations into the institutions' way of doing business; (ii) driving environmental sustainability; and (iii) care for, support and engage employees, communities, customers and other stakeholders.

The analysis reveals that there is significant common ground that has already been established, and that a new way of doing business is being established across the industry and taken together, this has the potential to deliver meaningful change to how the financial system works. Given the leaders will engender followership, its impact is likely to be magnified.

I. Mindful Conduct: ESG and the Business of Doing Good, From Policy to Practice

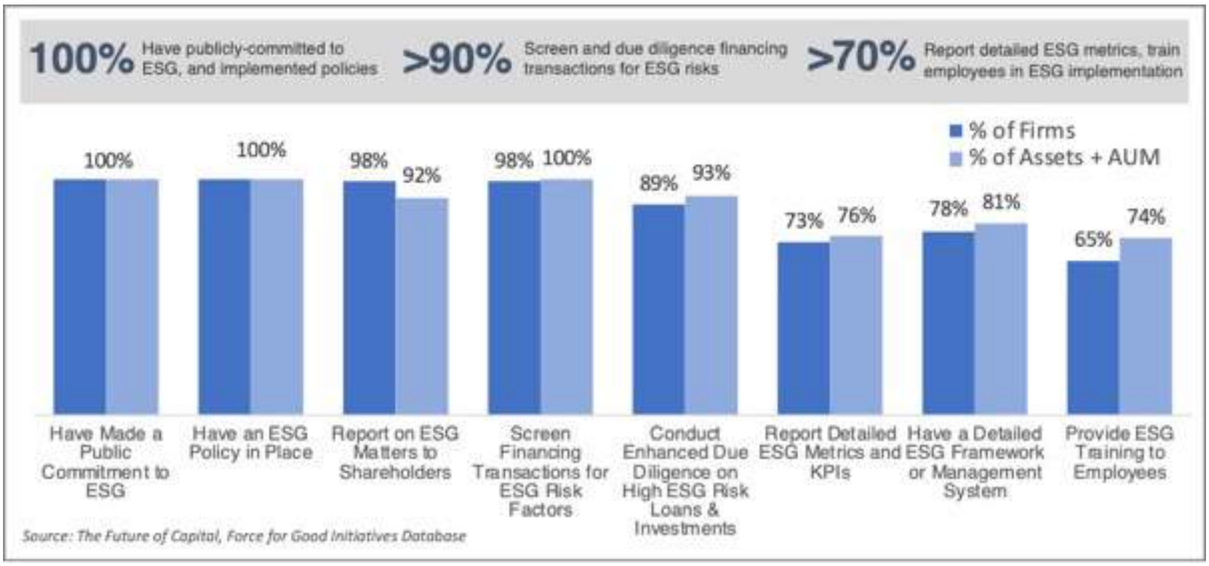
There has been 100% adoption of ESG policies and procedures amongst institutions included in the analysis with capital providers considering a broad range of non-financial ESG risk factors when providing financing. Also, c.89% of the leaders of the finance industry have moved away from what in the early days was perceived as a 'tick-the-box' approach towards ESG to truly implementing it in practice and c.50% using it to drive organizational objectives such as phasing out financing for activities considered to be harmful. Whether ESG drove an articulation of their values and beliefs or the values and beliefs led to ESG is unclear. What is clear is that each organization's ESG practices now reflect an identifiable set of values and beliefs.

The adoption of ESG appears to have gained a critical mass in the finance industry, with its leaders using it to drive increased organizational awareness and align its business activities towards achieving their global sustainability objectives. A closer analysis of the ESG related initiatives across those studied reveals how well this is playing out in the industry.

Universal Adoption of ESG Policies and Reporting

100% of the leaders of the finance industry examined in this study have publicly affirmed their commitment to sustainability and managing ESG risks and have adopted ESG (or similar[14]) policies, with regular reporting to their shareholders on ESG matters. The industry has moved quickly from policy to practice by closely integrating ESG policies into the business; 98% of institutions screen new business opportunities for ESG risks and 89% conduct additional due diligence on those perceived to have a higher degree of risk. 78% of institutions have also established detailed ESG frameworks (or management systems) and 73% track detailed ESG metrics and performance indicators.

Figure 2.1: Adoption of ESG Policies and Practices by the Finance industry



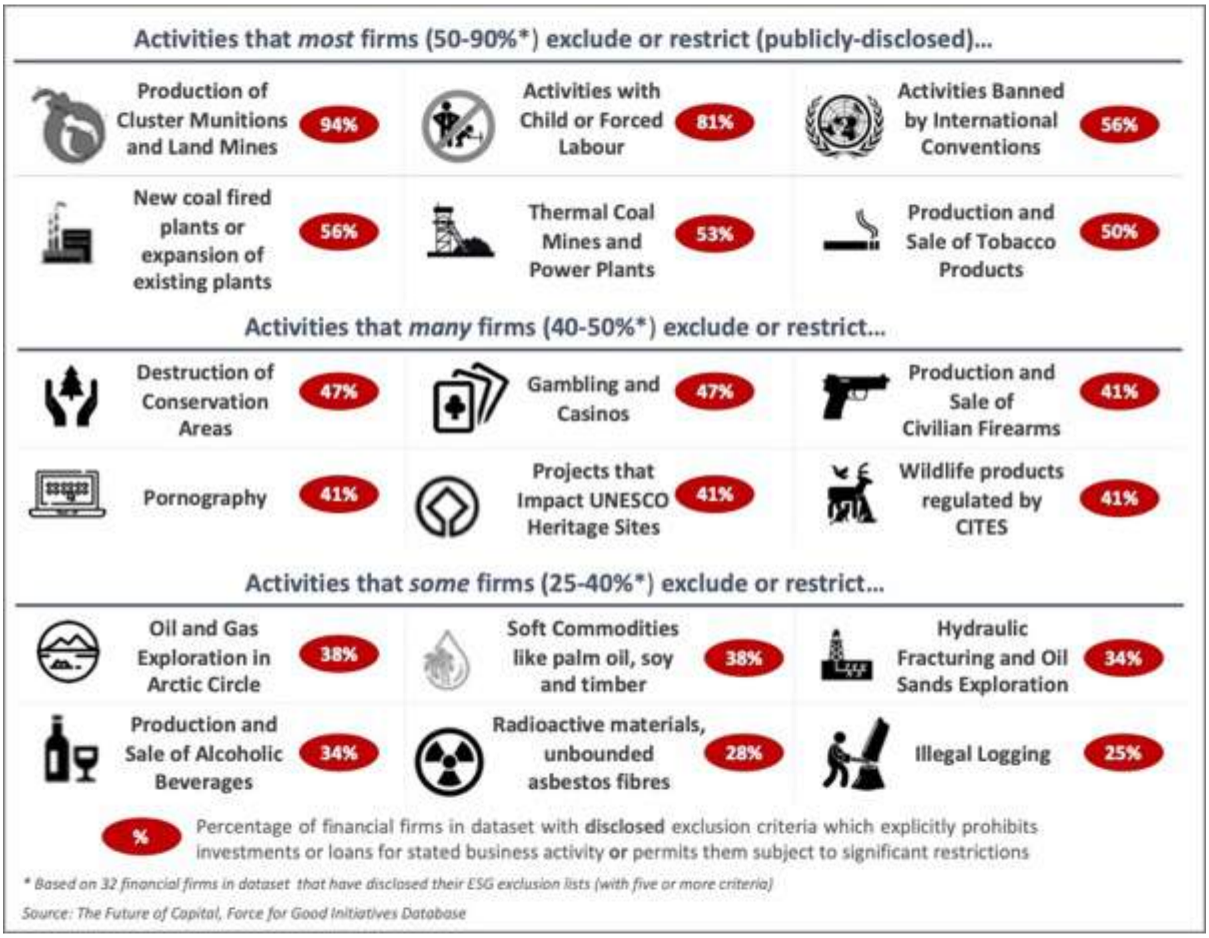
The areas where commonality is low primarily relate to the depth to which ESG is integrated, with 27% of institutions not yet tracking detailed ESG metrics, 22% of institutions not having publicly-disclosed their detailed ESG frameworks and procedures, and 35% of institutions not specifying if they provide ESG training to employees.

Majority are Phasing Out Financing Activities Deemed Harmful

A focus on harmful activities has led to c.50% of institutions in the analysis to use negative screening, in the form of 'ESG Exclusion Criteria', which either prohibit or put significant restrictions on financing for certain types of business activities that they consider harmful. There are some clear standards in common based on the local and international compliance requirements, such as not financing forced or child labor, cluster munitions and activities that are banned under international conventions. This has forced rapid compliance by companies needing any type of financing and thereby acted as an effective transmission tool for completely phasing out financing for such activities. Given that not all financial institutions publish exhaustive investment exclusion lists, the actual percentage of institutions that follow the compliance standards laid out above is potentially much higher than the disclosure levels captured below would indicate.

It is noteworthy that c.50% institutions have gone further than this 'risk management' approach and are employing exclusion criteria that appear to align business selection to their broader organizational values and sustainability objectives, excluding a range of other business activities that they deem to run counter to their values, beliefs or social objectives. For example, 40-50% of institutions do not finance and/or put significant restrictions on financing activities that drive climate change or impact environmental sustainability, such as thermal coal mines and power plants. Many institutions also restrict activities that they believe to be harmful, such as the tobacco products (50%), gambling (47%), production of civilian firearms (41%), pornography (41%) and alcoholic beverages (34%).

Figure 2.2: Business Activities the Finance Industry is Trying to Limit Through ESG Exclusions



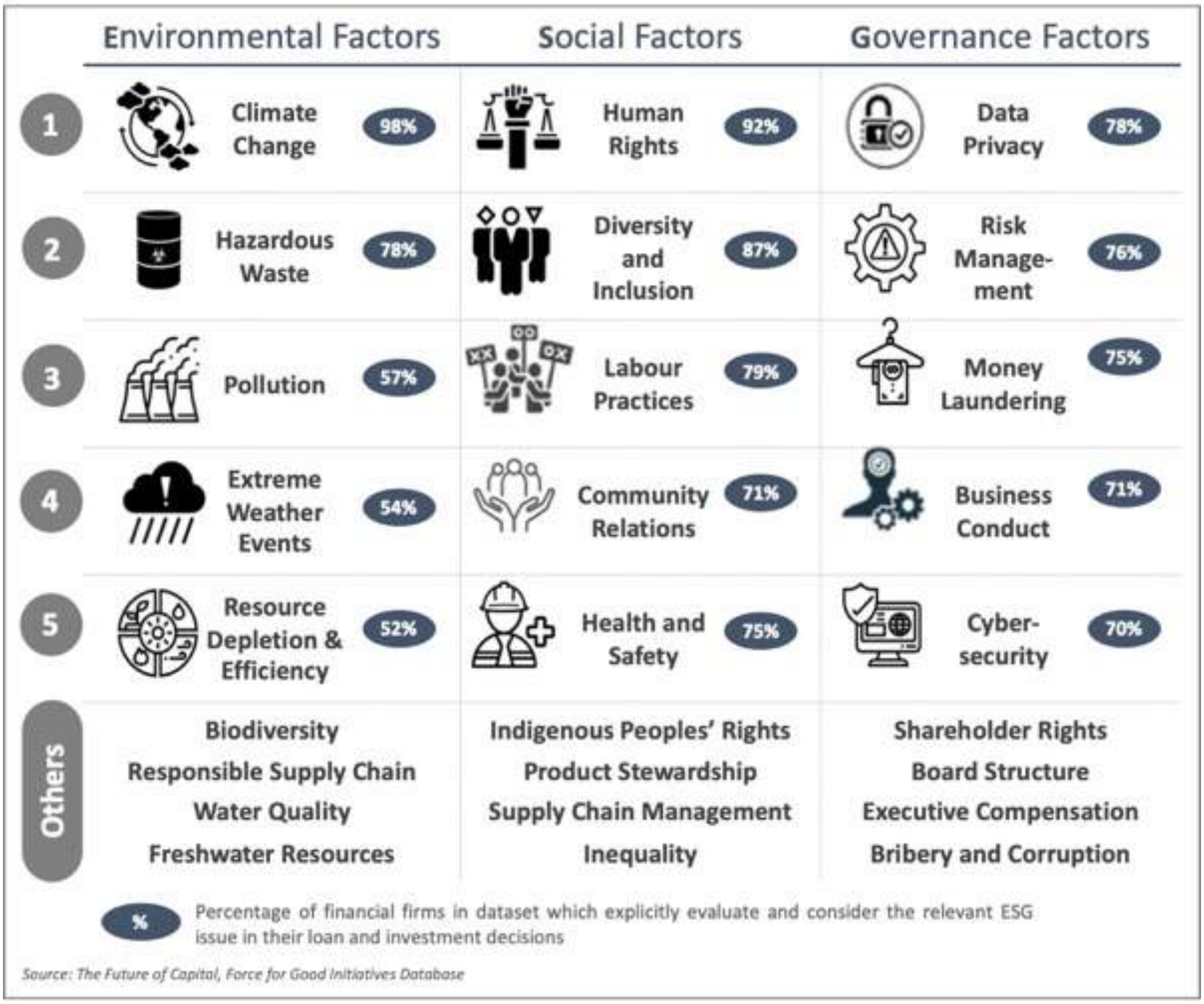
Nevertheless, this leaves c.50% of institutions not following (or at least publishing) an exclusion list beyond the basic local and international compliance criteria, while others have stricter criteria, but still adopt a 'moderate' tolerance to activities they deem harmful, screening for it in their ESG criteria but nevertheless allowing them, subject to additional due diligence.

Highest Priority to Climate Change, Governance and Human Rights

The finance industry's leaders have gone well beyond the negative screening and virtually all institutions are now increasingly integrating a broad range of ESG factors into their investment and transaction decisions with 98% evaluating a counter-party's climate change impact for example, 92% considering respect for human rights, c.80% looking at health and safety and labor practices, 70-80% looking at corporate governance, business conduct and data security, and other governance standards. This significant broadening of the business selection criteria beyond the profit focus has the potential to have a significant impact on driving change as customers across all sectors are forced to adapt their business models and practices to participate in capital market and access financial services.

Companies across the world looking to raise institutional financing have no choice but to bring their labor practices in line with global best practices in how they treat their employees (e.g., to the International Labor Organization Conventions), irrespective of the local practices. Similarly, with nearly all institutions looking at climate change in their business selection criteria, measurement of impact and tangible mitigation plans are rapidly becoming a requirement for all institutions.

Figure 2.3: Key ESG Factors Considered by Financial Institutions



While there is a high degree of common ground on the ESG criteria, the level to which these issues are integrated into investment and business decisions and what weight they carry over other considerations like financial returns remains unclear in many cases, as does the extent of the guidance and tools provided to employees to evaluate the issues.

Conscious Incorporation of ESG Factors to Promote Activities for Good

An increasing number of finance industry leaders are going beyond the use of exclusions lists and 'negative screening' to the active integration of ESG and sustainability factors into investment decisions-making. Among the finance industry leaders, at least US$12.5 trillion in assets under management (or 12% of the total assets) consciously incorporate ESG factors into their investment decisions to promote activities for good. ESG factors are now being integrated across various types of financial products, ranging from ESG mutual funds (including both actively managed funds and passive or index funds) that focus on investing in ESG leaders within sectors, thematic funds that focus on specific sustainability issues (such as women's empowerment, water or sanitation, among various examples), impact funds that look to invest in enterprises that are delivering a positive social and/or environmental impact, SDG-aligned hedge fund portfolios for institutional investors that want to ensure their portfolios are aligned towards sustainability objectives, and many others.

Figure 2.4: Active Incorporation of ESG In Investment Strategy

Institution	% of Assets Integrated with ESG	Examples of ESG Integration Process
Large European Asset Manager	100%	**Proprietary Sustainability Accreditation** spans 132 'Screened', 'Integrated', 'Sustainable' and 'Impact' categories for clients to distinguish how ESG factors are considered across its products
One of the Largest Global Asset Managers	40%	**Proprietary ESG ratings to assess material ESG factors** for each company held across equity, high yield and fixed income holdings
Among Top 10 largest banks in the world	34%	**A globally consistent, 40-question ESG checklist**, answered for more than 2,000 stocks globally, has produced a unique proprietary database of ESG factors across investible universe
Large European Bank and Asset Manager	30%	**Sophisticated sustainability analytics for institutional clients** to achieve full transparency by screening their portfolio for industry exposure

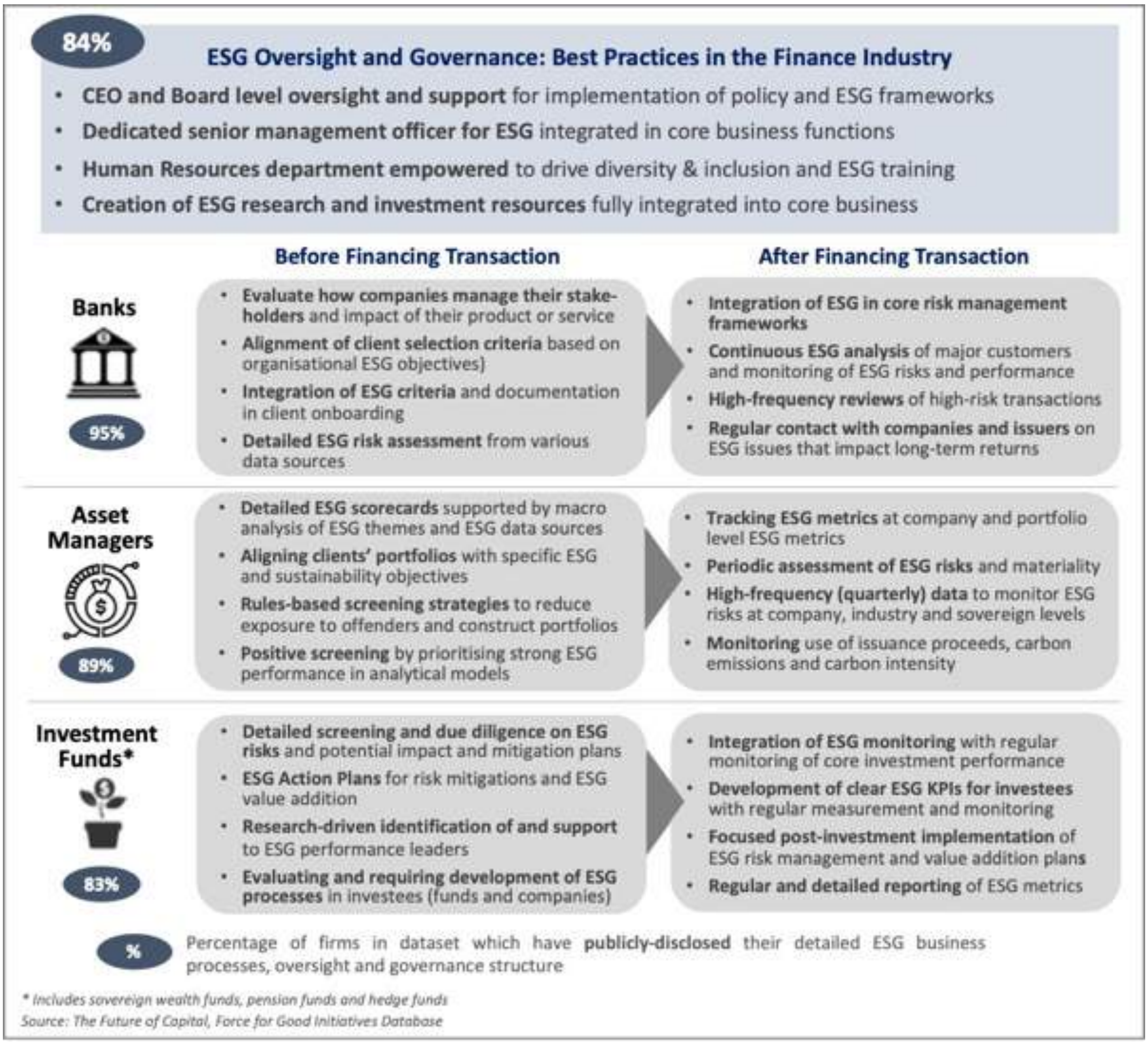
Source: The Future of Capital, Force for Good Initiatives Database

Integrating ESG with Core Business Processes

The leaders of the finance industry are closely integrating an analysis of the ESG factors above into their core business processes. Each segment of the industry is pursuing this objective in ways that suit them. In the asset management space, passive managers, in their mutual funds, look to score public companies across various ESG parameters which feed into their asset allocation decisions, and monitor these metrics through the course of the investment. Active investment institutions, such as some of the leading pension funds, hedge funds and sovereign wealth funds, conduct ESG risk assessments and due diligence prior to investing and closely monitor these risks post-investment. Similarly, banks have adopted a strategy of looking at the ESG impacts of their borrowers and companies whose financings they are looking to underwrite in deciding the risk exposure of loans and deciding which mandates to take.

Embedding ESG into core business processes and decisions is typically supported by senior-level oversight, with 84% of the institutions in the dataset (accounting for c.90% of total assets and AUM) having established independent oversight and governance structures for ESG, with support from senior management and the board.

Figure 2.5: Best Practices for ESG Integration in Core Business Decisions, Oversight and Governance



While over 95% of banks and asset managers have publicly disclosed ESG processes, these tend to differ widely in their depth and scope, with some institutions integrating these processes systematically across the organization while others do it in silos (e.g., by regions or product units).

Though most investment funds tend to follow relatively rigorous ESG processes, c.17% of them either do not have these or have not yet publicly disclosed their level of ESG process integration.

Backing Multiple Collaborations to Agree on International Market Standards

Over the last several years, the finance industry's leaders have participated in international associations such as the UN's Principles of Responsible Investing (UN-PRI), the UN Global Compact and the Sustainability Accounting Standards Board (SASB), which are helping to establish a de-facto standard. They have also incorporated international frameworks and conventions (such as the IFC Performance Standards and the ILO Conventions) into their ESG policies and practices to manage compliance. International institutions have done the hard work of attracting the finance industry leaders to supporting these important initiatives (for example by attracting 94% of the industry leaders by total assets to the UN Principles of Responsible Investing initiative) and now the industry is raising the bar for others to adopt these standards.

Figure 2.6: Financial Industry's Participation in International Frameworks and Conventions

Association	Brief Description	Overall Membership	Membership from Dataset: % of Firms	Membership from Dataset: % of Assets
PRI UN Principles of Responsible Investing	**World's leading proponent of responsible investment** which supports members in incorporating ESG into their investment decisions	**3,000+** members with > **US$100 trillion** of AUM	**86%** (54 out of 63)	**94%** (US$96 trillion)
United Nations Global Compact UN Global Compact	**World's largest corporate sustainability initiative** calling on companies across sectors to align strategies and operations with universal principles of	**13,000+** corporate participants in **170+ countries**	**59%** (37 out of 63)	**58%** (US$59 trillion)
SASB Sustainability Accounting Standards	**NGO which has developed a common sustainability accounting standards** to standardise the ESG data financial firms use to measure ESG impact	**176** partners in financial industry using standards	**49%** (31 out of 63)	**66%** (US$67 trillion)
EQUATOR PRINCIPLES Equator Principles	**Risk management framework adopted by financial institutions** for, assessing and managing ESG risks in projects, with minimum due diligence standards	**94** leading global financial firms have adopted principles	**27%** (17 out of 63)	**39%** (US$39 trillion)
GRESB Global Real Estate Sustainability Benchmark	**Data and analytical tools** to monitor ESG opportunities, risks and impacts, and engage with investment managers	**100+** institutional and financial investors	**29%** (18 out of 63)	**32%** (US$32 trillion)
ACGA Asian Corporate Governance Ass'n	**NGO dedicated to working with financial firms and regulators** to implement effective corporate governance practices throughout Asia	**110** members with **> US$30 trillion** of AUM	**22%** (14 out of 63)	**24%** (US$25 trillion)

Source: The Future of Capital, Force for Good Initiatives Database

II. Caring for the Planet: Finance as a Driver of Climate Action and a Sustainable World

Climate change has emerged as the major issue for the planet and the world's citizenry is increasingly realizing that we are at a defining moment in how this plays out. After more than a century and a half of industrialization, deforestation, and large-scale agriculture, quantities of greenhouse gases in the atmosphere have risen to record levels not seen in three million years, largely driven by our dependence on fossil fuels, leading to rising global temperatures, shifting weather patterns and irreversible changes in major ecosystems.

The UN has been at the forefront of global climate action and environmental sustainability, producing the United Nations Framework Convention on Climate Change (UNFCCC) which have led to the Kyoto Protocol (1995) and the Paris Agreement (2015) bringing 196 nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects.

These efforts have been complemented by multiple initiatives in the private sector to implement the changes in energy production and consumption, industrial manufacturing, supply and distribution and consumption required to execute a sustainable climate transition. The finance industry looks to have embraced the challenge of climate change wholeheartedly, making environmental sustainability core to the allocation of capital and its own business operations.

Working with International Associations to Help Address Climate Change

The leaders of the finance industry are actively participating in major climate and sustainability related associations that are establishing common standards for the industry and promoting financing for sustainability in various forms. This study finds that c.81% of the leaders in this study are supporters of the Task Force on Climate-Related Financial Disclosures (TCFD) and 70% disclose their carbon footprint metrics through the Carbon Disclosure Project (CDP). Other associations, such as the Green Bond Principles (which defines the guidelines for the issuance of green bonds) and Climate Action 100+ (a network of investors committed to mitigating climate change), amongst several others, have attracted a large proportion of the industry's leaders. These and other key international associations that are helping the financial industry collaborate with each other and various other stakeholders to address climate change and mobilize sustainability financing are listed below:

Figure 2.7: The Financial Industry's Participation in International Climate Associations

Financial Industry's Participation in International Associations, Frameworks and Conventions

Association	Brief Description	Overall Membership	Membership from Dataset: % of Firms	Membership from Dataset: % of Assets
TCFD – Task Force on Climate Financial Disclosures	**Develop consistent climate-related financial risk disclosures** for use by companies, banks, and investors in providing information to stakeholders	**1,500+** supporters in **70** countries, **31** core members	**81%** (51 out of 63)	**92%** (US$94 trillion)
CDP – Carbon Disclosure Project	**International NGO that aims to make environmental reporting a business norm**, driving disclosure, insight, and action towards a sustainable economy	**8,400+** companies have disclosed through the CDP	**70%** (44 out of 63)	**84%** (US$85 trillion)
The Green Bond Principles	**Voluntary process guidelines that recommend transparency and disclosure** and promote integrity in the development of the Green Bond market	**600** members in **62** countries	**37%** (23 out of 63)	**54%** (US$55 trillion)
Climate Action 100+	**Global investor initiative** to ensure the world's largest corporate greenhouse gas emitters take necessary actions on climate change	**500+** leading global investors with > **US$43 trillion** AUM	**40%** (24 out of 63)	**48%** (US$49 trillion)
Ceres – Ceres Investor Network	**Association of institutional investors advancing best practices,** corporate engagement strategies, and key policy and regulatory solutions for climate change	**175+** leading global investors with > **US$29 trillion** AUM	**22%** (14 out of 63)	**40%** (US$41 trillion)
UNEP Finance Initiative	Global partnership between the UN Environment Program (UNEP) and the financial sector, seeking to implement sustainability principles at all levels	**250+** member and supporting financial institutions	**35%** (22 out of 63)	**36%** (US$37 trillion)
IIGCC – The Institutional Investors Group on Climate Change	**Leading global investor membership body focusing specifically on climate change** whose mission is to mobilise capital for the low carbon transition	**250+** members in **16** countries with **> €33 trillion** AUM	**22%** (14 out of 63)	**27%** (US$28 trillion)

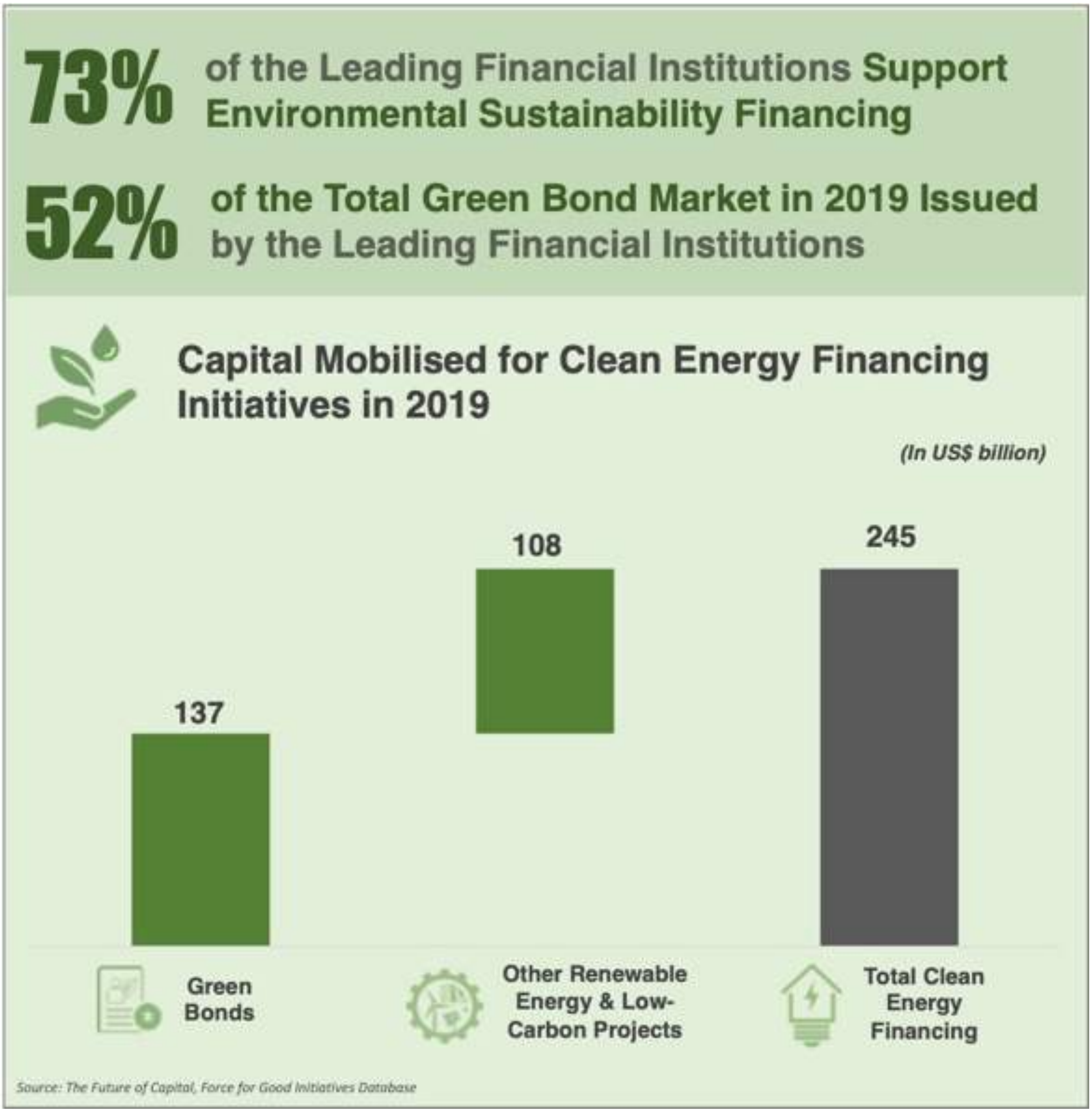
Source: [The Future of Capital, Force for Good Initiatives Database]

Leading Financial Institutions Mobilizing More than US$240bn Annually for Clean Energy

The International Energy Agency estimates that limiting the rise in global temperature to less than two Degrees Celsius will require an average investment of US$3.5 trillion in the energy sector every year until 2050[15] to restructure existing energy assets and construct new renewable ones. The financial industry can play a critical role in mobilizing and allocating the capital required to ensure the global transition to a more sustainable energy production and consumption model and can help mitigate the potentially catastrophic impact of climate change.

Many of the leaders of the finance industry profiled in this work have to date committed to mobilizing capital in support of climate action, specifically for the development of clean energy in the form of renewables and associated technologies like smart grid and energy storage solutions, with US$245 billion[16] in financing provided during 2019, with US$137 billion in green bonds issued and US$ 108 billion in other renewable energy and low carbon project finance committed.

Figure 2.8: Total Clean Energy Financing in 2019

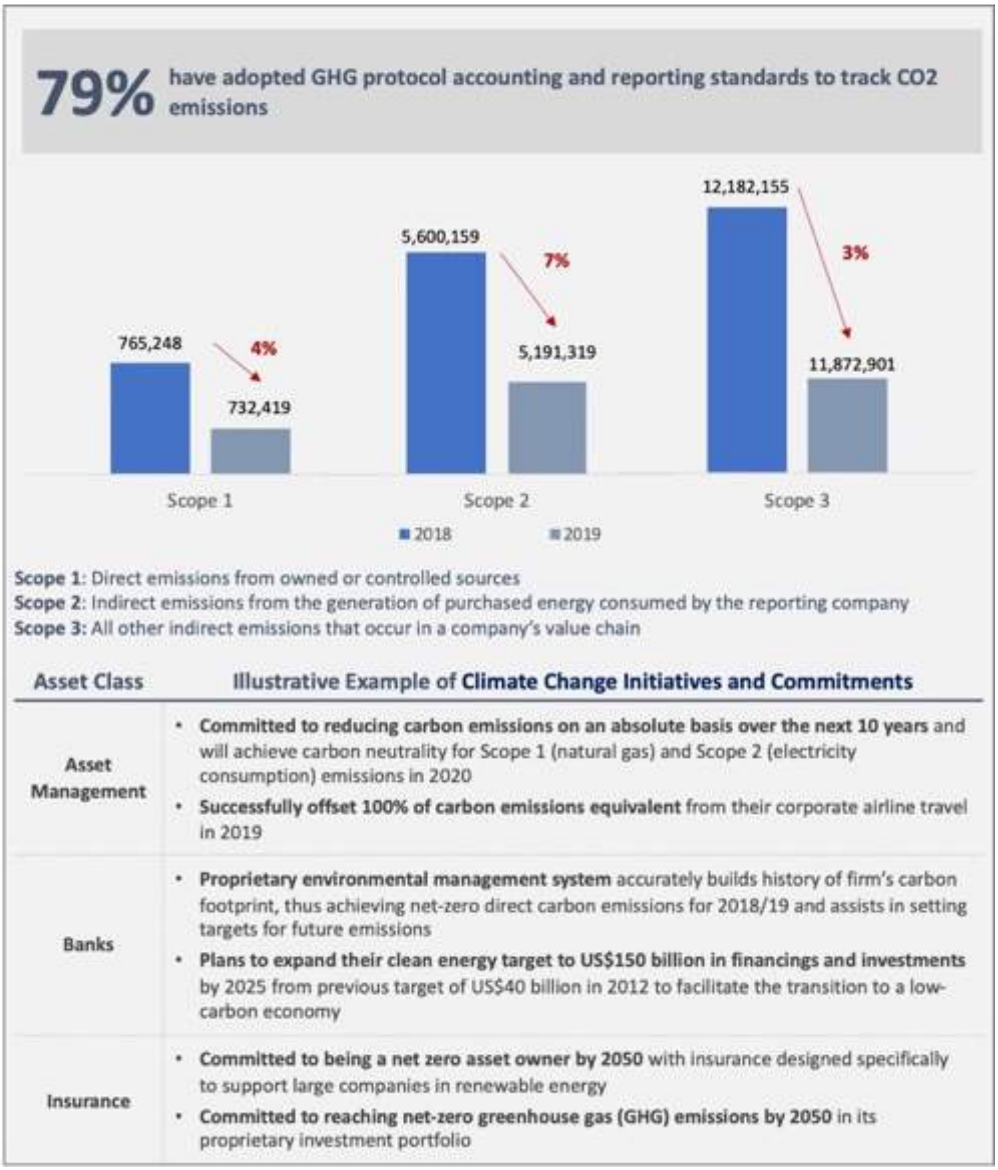


The US$245 billion commitment represents two thirds of the total global clean energy investment of US$363 billion in 2019,[17] indicating that industry leaders are dominating this market and leading the way for the rest of the industry to follow. However, the cost of full decarbonization by 2050 is estimated at US$50 trillion, and so the current level of spending will not avert climate change, preserve the rainforest and prevent environmental disasters.[18] To fully achieve these goals with energy carbon neutrality will require average annual spending at nearly 5x the current level for the next 30 years indicating that the current efforts represent only the tip of the proverbial iceberg.

Setting an Example by Further Reducing its Carbon Footprint

Though the industry is not a significant *direct* contributor to global CO_2 emissions, industry leaders are nevertheless looking to lead by example by rigorously measuring their direct and indirect carbon footprints, and actively seeking to reduce it. While 97% of industry leaders have stated plans to reduce their operational carbon footprints, 79% of the industry leaders follow the Greenhouse Gas Protocol Accounting and Reporting Standards which require them to report total annual carbon emissions across three different scopes (direct, indirect and value chain) under a common measurement and reporting framework, and these leaders have adopted various measures to mitigate their own direct and indirect footprint, reducing their direct emissions by c.4% over the last year and indirect emissions by c.7%.

Figure 2.9: Change in Industry Leaders' CO_2 Emissions (mt) From 2018 to 2019



Asset Class	Illustrative Example of **Climate Change Initiatives and Commitments**
Asset Management	• **Committed to reducing carbon emissions on an absolute basis over the next 10 years** and will achieve carbon neutrality for Scope 1 (natural gas) and Scope 2 (electricity consumption) emissions in 2020 • **Successfully offset 100% of carbon emissions equivalent** from their corporate airline travel in 2019
Banks	• **Proprietary environmental management system** accurately builds history of firm's carbon footprint, thus achieving net-zero direct carbon emissions for 2018/19 and assists in setting targets for future emissions • **Plans to expand their clean energy target to US$150 billion in financings and investments** by 2025 from previous target of US$40 billion in 2012 to facilitate the transition to a low-carbon economy
Insurance	• **Committed to being a net zero asset owner by 2050** with insurance designed specifically to support large companies in renewable energy • **Committed to reaching net-zero greenhouse gas (GHG) emissions by 2050** in its proprietary investment portfolio

While c.80% of institutions are moving to measure and reduce their carbon footprint, it is important to keep in mind that the finance industry's carbon footprint is negligible, hence these actions will only be a small part of what needs to be a broader strategy which systematically incorporates environmental and climate considerations into the way of doing business.

III. Compassion for All: Caring for Employees, Communities and Other Stakeholders

Virtually all institutions in the analysis have moved from their historical focus on shareholder primacy and risk-adjusted returns towards a greater focus on and care for all the stakeholders in its ecosystem including its employees, customers, communities, suppliers, regulators and the government. This multi-stakeholder approach, which c.90% of the data set constituents have publicly re-affirmed, is based on the growing awareness that self-interest and community interest are not just aligned but fundamentally the same thing, a view increasingly supported at the highest levels of financial organizations (see examples of statements from CEOs below).

Figure 2.10: Views Expressed by Selected Industry's Leaders on Stakeholder Engagement

Nearly 90% of institutions have publicly reaffirmed their commitment to a multi-stakeholder approach

"The American dream is alive, but fraying. Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term. **These modernized principles reflect the business community's unwavering commitment to continue to push for an economy that serves all Americans."**

Jamie Dimon, Chairman and CEO of JP Morgan Chase

"A company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders... **actions that damage society will catch up with a company and destroy shareholder value. By contrast, a strong sense of purpose and a commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society."**

Laurence Fink, Chairman and CEO of Blackrock

"To engender the trust that it takes to build a truly successful and sustainable business, we must keep our culture strong and live our core values daily. By putting clients first, leading with exceptional ideas, **doing the right thing and giving back to our communities, our over 60,000 employees can deliver both enduring performance and long-term value for our clients, shareholders and society**."

James Gordan, Chairman and CEO of Morgan Stanley

"One of Investec's most cherished values is that **we strive to live in society, not off it.** It is a deeply held belief and one that we encourage all our staff to live by…Our goal is to support the societies in which we live, to support our clients and through their activities, impact the societies in which they do business."

Fani Titi, CEO of Investec

"We need to have business models that have a positive impact on society and do not rely solely on philanthropy to show that we are solid corporate citizens. **Creating shareholder value will always be necessary; but creating stakeholder value is critical. Today, these two goals are more closely connected than ever before. People increasingly are demanding that private enterprise play a role in finding solutions to the challenges we face**."

Michael Corbat, CEO of Citi

"**How can we, as a financial services provider with considerable reach and a worldwide presence, act as a catalyst in the global movement to reduce emissions?**... Our aim is to create an effective engine that gradually steers the larger economy towards carbon neutrality and consequently, slows down climate change.**"**

Oliver Bate, Chairman of Board and CEO of Allianz SE

"Today, the concept of sustainability has broadened to include not only how a company manages its operations but also how it conducts its core business... **We see a clear commercial rationale to this work, where we are able to leverage our leading businesses and global relationships to deliver results for shareholders and progress for society as a whole."**

David M. Solomon, Chairman and CEO of Goldman Sachs

"Companies have to deliver great returns for shareholders and address important societal priorities—aligning their activities and operations to drive progress on the SDGs. **That's stakeholder capitalism in action."** *Brian Moynihan, CEO of Bank of America*

It is worth noting that the translation of these commitments to stakeholder interests into actions and tangible results is still work in progress. Public companies, whether financial institutions or others, continue to be predominantly judged on traditional shareholder metrics which impacts the priorities of the organizations and their leaders, whose success remains narrowly measured. If current trends continue, this will change sometime in the not-too-distant future.

Near Universal Support for their Communities

The financial industry is investing significantly in the communities it serves, both in terms of mobilizing its core business to provide capital where it is most needed, particularly in the form of low-income housing and loans as well as through corporate social responsibility (CSR) and charitable giving programs.

'Community' financing, in the form of housing development and finance, financial inclusion initiatives and small business and low-income loans is one of the biggest opportunities for the finance industry to have a direct impact on broader stakeholders to increase social good. Total 'community financing' by industry leaders crossed US$63 billion last year, with significant capital deployed for home ownership through low-income mortgages and affordable housing, community development finance and small business loans among others. The ongoing growth and breadth of community finance activities points to the potential impact of the industry in leveraging its core business as a 'force for good.'

Figure 2.11: 'Community Financing' by Industry Leaders

$63.2 billion — **Total Affordable Housing and Inclusion Initiatives Mobilised in 2019**

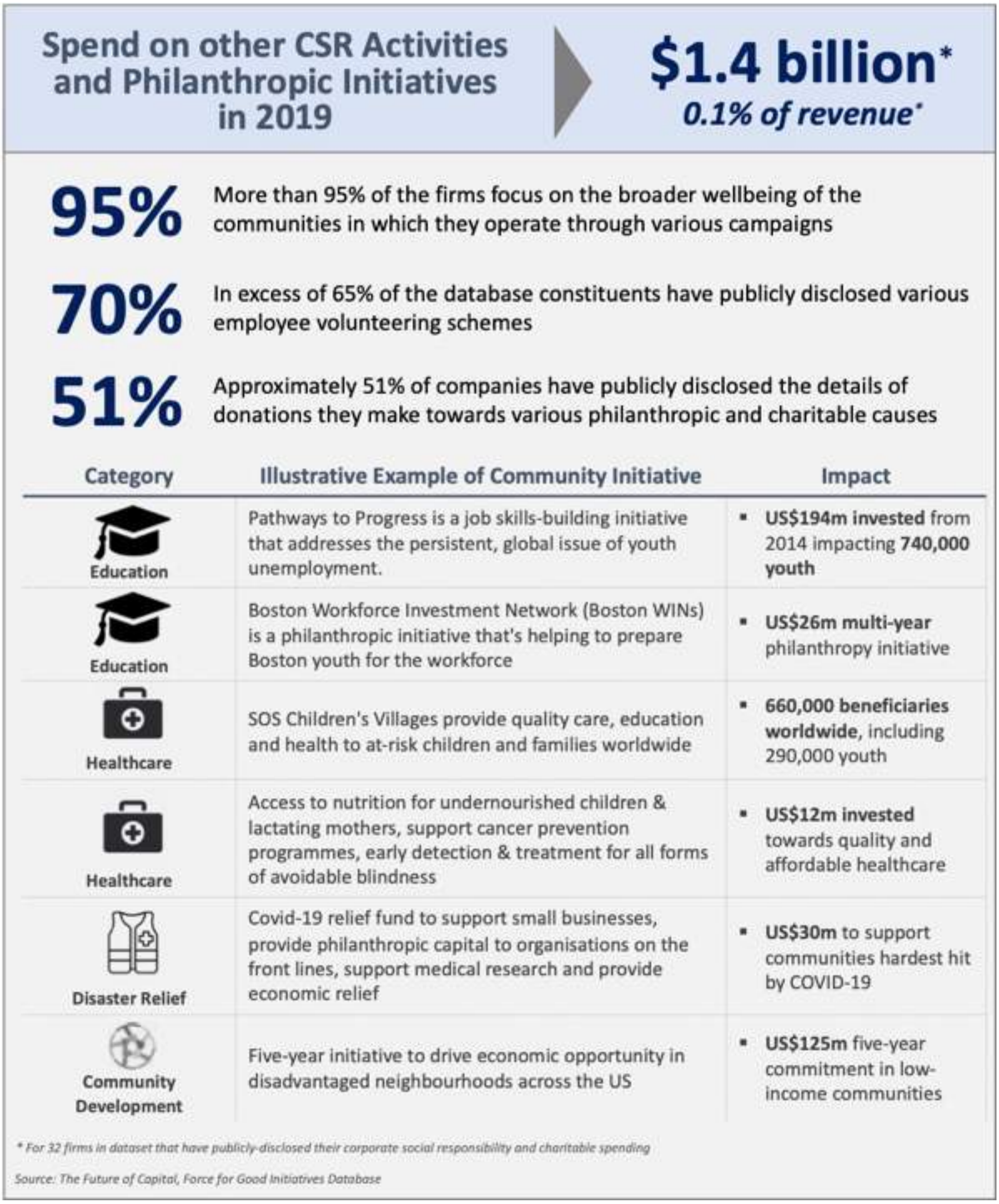
(For 11 firms in dataset that have publicly-disclosed their affordable housing and inclusion initiatives)

Category	Illustrative Example of Initiatives	Impact
Mortgages to Low Income Communities	Five-year commitment to finance US$50 billion of mortgages in low- and moderate-income communities.	• **Financed US$22 billion** of those mortgages by end of 2019
Building Affordable Housing Units	Committed to lend US$7 billion over five years to commercial and non-profit housing partners to help maintain, rehabilitate and build affordable units	• **Over US$3.3 billion** lent in 2019 alone
Community Development Finance	Loans and investments for economic development that supports quality jobs in underserved, small and rural markets	• **US$21 billion** committed in loans and investments including small business loans
Lending to Small Businesses	Support the growth of small businesses in the US through direct finance and partnerships with community organizations and local governments	• **More than US$10 billion** invested in small business lending during 2019

Source: The Future of Capital, Force for Good Initiatives Database

The finance industry's leading institutions have taken an active role in corporate social responsibility, with the 51% of those examined disclosing their CSR activities, spending a combined US$1.4 billion annually supporting a vast number of organizations and initiatives across critical areas, including healthcare, education, arts and culture, disaster relief and other types of community development interventions. Through these programs and initiatives, the financial industry is looking to make a direct impact on the lives and livelihoods of the underserved and engage communities directly in addressing systemic local issues at scale.

2.12: Cumulative CSR Spending by Industry Leaders



Spend on other CSR Activities and Philanthropic Initiatives in 2019 — **$1.4 billion*** *0.1% of revenue**

95% More than 95% of the firms focus on the broader wellbeing of the communities in which they operate through various campaigns

70% In excess of 65% of the database constituents have publicly disclosed various employee volunteering schemes

51% Approximately 51% of companies have publicly disclosed the details of donations they make towards various philanthropic and charitable causes

Category	Illustrative Example of Community Initiative	Impact
Education	Pathways to Progress is a job skills-building initiative that addresses the persistent, global issue of youth unemployment.	**US$194m invested** from 2014 impacting **740,000 youth**
Education	Boston Workforce Investment Network (Boston WINs) is a philanthropic initiative that's helping to prepare Boston youth for the workforce	**US$26m multi-year** philanthropy initiative
Healthcare	SOS Children's Villages provide quality care, education and health to at-risk children and families worldwide	**660,000 beneficiaries worldwide**, including 290,000 youth
Healthcare	Access to nutrition for undernourished children & lactating mothers, support cancer prevention programmes, early detection & treatment for all forms of avoidable blindness	**US$12m invested** towards quality and affordable healthcare
Disaster Relief	Covid-19 relief fund to support small businesses, provide philanthropic capital to organisations on the front lines, support medical research and provide economic relief	**US$30m** to support communities hardest hit by COVID-19
Community Development	Five-year initiative to drive economic opportunity in disadvantaged neighbourhoods across the US	**US$125m** five-year commitment in low-income communities

** For 32 firms in dataset that have publicly-disclosed their corporate social responsibility and charitable spending*

Source: The Future of Capital, Force for Good Initiatives Database

Community financing by industry leaders is unsurprisingly orders of magnitude greater than their disclosed CSR spending evidencing the fact that the finance industry's impact primarily rests on its role as an allocator of capital. Moreover, with affordable loans and mortgages representing only a fraction of finance industry leaders total lending activities, there is significant room for further growth, with the finance industry potentially addressing issues at scale in a targeted fashion.

High Priority Support for Diversity and Inclusion Under Implementation

As people-driven businesses, leaders in the financial industry demonstrate through their initiatives that they recognize the importance of the principle of diversity and inclusion and almost all institutions having clear policies to encourage diversity in hiring, and equal treatment of all employees irrespective of their gender, ethnicity or race, disability, or sexual orientation. Despite its perceived legacy of being a male-dominated profession, 32% of the directors of the institutions in the study are women (vs. 23% for Fortune 500 companies as a group[19]) and women comprise in total 49% of the aggregate workforce for institutions that have reported on this. No doubt challenges remain, but the direction of change seems clear.

Furthermore, financial institutions have increasingly moved from the view of employees as 'human resources' to invest more broadly in their people by focusing on wellness, work-life balance, mental health and mindfulness, having recognized that these initiatives provide direct benefits to their business in the form of increased productivity, retention, satisfaction and loyalty to the company's culture and values. Indeed, 73% of the industry leaders in the analysis offer employee wellness or mental health services and over 25% are offering mindfulness programs to their employees

Figure 2.13: High Priority Support for Diversity and Inclusion Under Implementation

Finance industry leaders clearly recognize the need to engage and retain employees in order to drive retention and productivity. However, there are varying degrees of success and outcome orientation, and the industry still has some ways to go. 27% of institutions do not disclose their anti-discrimination policies with regard to people with disabilities or sexual orientation for example, and some institutions, in spite of their commitments to ESG and sustainability, still have few or no women on their board of directors.

Engaging Various Stakeholders Including Customers, Governments and Regulators, and Others

There is evidence in the organizations examined of a growing importance of stakeholders beyond shareholders and what is for most of them a long-standing commitment to their people and their local community. In 2019, the Business Roundtable issued a new statement on the purpose of a corporation, signed by 181 CEOs who have committed to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities, and shareholders. Members of the finance industry are among the leaders of this shift from shareholders to stakeholders. c.90% of the industry leaders in the analysis publicly disclose their initiatives to engage various stakeholders beyond the employees and the communities they serve, including customers, suppliers, governments, regulator and their peers – in order to create a continuous positive feedback loop that supports the development of better policies and programs and supports sustainable growth and the adoption of a corporate culture that values sustainability, environmental and social responsibility across the organization. Illustrative initiatives that the financial industry is using to engage these stakeholders are summarized below.

Figure 2.14: Initiatives Focused on Engaging with the Company's Broader Stakeholder Group

c. 90% of the firms have various initiatives (publicly-disclosed) focused on engaging with the company's broader stakeholder groups

Stakeholder	Illustrative Stakeholder Engagement Initiatives
Customers	▪ **Advisory Solutions on Integrating ESG across Asset Classes.** Dedicated proprietary and external investment solutions for clients focused on ESG and impact investing across asset classes ▪ **Influence Customers to Adopt Best ESG Practices.** Regularly share market research and insights on key environmental, social, economic and political topics to include more ESG criteria in their business decisions ▪ **Proprietary ESG Index to Track Financial Performance.** Three broad-based ESG index funds, covering U.S. equity, international equity, and fixed income asset classes
Suppliers	▪ **Procurement Regulations to Guide Transactions with External Vendors.** Developing a set of Supplier ESG Guidelines, which outlines the company's ESG requirements when doing business with suppliers ▪ **Strong Supplier Diversity Program.** Focus on developing and bringing diverse suppliers into the firm's supply chain including minority, women, veteran, LGBTQ+ and disabled business owners
Government and Regulators	▪ **Ongoing Dialogue with Regulators and Policymakers Across Level.** Focus on proposed regulatory and policy changes that will affect the firm's businesses at the U.S. federal level and discuss public policy positions that will affect businesses at the state and municipal levels ▪ **Active Participant in Government Councils and Committees.** The President of the firm has served as a member of the "SDGs Promotion Roundtable Meetings" established under the leadership of the SDGs Promotion Headquarters of the Japanese government
Peers	▪ **Ensure Sustainable Growth of ESG Bond Market.** Cooperate with academics, issuers, asset managers, financial institutions and other members with a wide range of expertise in the ESG bond market to carry out extensive research on it and ensure its sustainable growth ▪ **Improve ESG Process Through Information Exchange.** Enhances its ESG investment process through information exchange with other PRI signatory companies, and industry groups, as well as studying advanced cases of ESG investment and financing

Source: The Future of Capital, Force for Good Initiatives Database

The finance industry needs to engage various stakeholders in the ordinary course of business, like any other sector. Therefore, it is yet unclear whether these initiatives represent a fundamental shift for the industry, rather than just an incremental uplift in engagement from business as usual.

Further it is important to recognize that the finance industry is among the most active sectors engaged in lobbying to seek favorable terms from governments and regulators.[20] These lobbying efforts are generally undisclosed and so this raises questions on whether these are in pursuit of policy and legislation that are in the industry's interest at the expense of broader stakeholder groups.

Given the above, for the finance industry's stakeholder engagement to be truly meaningful and impactful it will need to be fully transparent, with comprehensive reporting that measures the outcomes and returns for various stakeholder groups, creating accountability within organizations and enhancing the consideration of stakeholder impact into wider decision-making.

A 'Force for Good' Supporting the Sustainable Development Goals

The three elements laid out above – mindful conduct through ESG, caring for the planet through sustainable finance and compassion for all through stakeholder impact- form the basis of the finance industry acting as an impactful 'force for good'. The UN SDGs are the most comprehensive set of sustainability goals in the world today that seek to address its challenges and point to what a sustainable future for it might look like. Accordingly, they represent a crucial benchmark by which to measure the impact of an institution or an industry as a 'force for good'. In the case of the finance industry, each of the three elements of their engagement promotes sustainability in the broadest sense: ESG includes the promotion of peacefulness, fairness and justice, environmental sustainability includes environmental protection and fighting climate change, and stakeholder engagement includes tackling social issues like poverty and inequality.

Finance Industry Becoming a Champion of the UN SDGs

An increasing number of industry leaders are explicitly using the UN SDGs to focus (and manage) their sustainability and sustainable development efforts and to communicate these, both internally and to external stakeholders. Many companies have identified specific SDGs and have set a series of benchmark targets against which to measure their contribution and sustainability impact, as well as to identify potential areas of focus for new initiatives to be launched.

Current Priorities on the SDGs

The analysis shows that leaders in the industry have focused on the goals where they have the highest potential to make an immediate and effective difference, and on the goals of the highest interest to the communities that they serve.

Figure 2.15: The Finance Industry's Explicit Support for the SDGs[21]

SDG	Illustrative Examples of Initiatives and Impact	% of Dataset with Explicit Focus % of Firms (Out of 63)	 % of Assets (Out of US$102 trillion)
13	• Five year US$250bn environmental finance goal to finance and facilitate climate solutions globally • Financed more than US$50bn in low carbon solutions in 2019 • Phasing out exposure to coal companies, and reduced exposure to carbon related assets to 0.8%	84%	92%
7	• US$100bn of renewable energy transactions • Joint bookrunner on the first SDG-linked bond (US$1.5bn) linked to renewable energy capacity target • 90% of electricity consumed globally from renewables	71%	78%
8	• US$11.6bn invested towards financial inclusion and lending to small businesses in the US • Committed US$10m to Workforce of the Future program to upskill and train employees • 200+ entrepreneurs trained in startup school	70%	71%
4	• US$1.4bn investment in public K-12 and higher education • US$12m for teacher training and skilling programs for women in India, 13m trained in financial literacy • 3.2m cumulative hours of training for future skills	63%	73%
11	• US$13bn in green buildings and sustainable transportation projects financed, US$6bn loans for affordable housing • 75% of lease rental portfolio certified by LEED • 20% reduction in CO2 emissions of real estate portfolio	59%	61%
3	• US$700m investment in non-profit community hospitals • US$9m investment in building mental health centre • US$8m healthcare program for special needs children	57%	55%
5	• US$30m credit for low-income women • Investment in Woman Bond by Chilean Bank • 37% of senior roles held by women • Audit and disclosure of gender pay gap	57%	62%
12	• US$1.0bn green bond to integrate recycled and biodegradable plastics into packaging • Elimination of all single-use plastics across global office • Zero waste day across all global locations	46%	48%
10	• US$12bn toward financial inclusion and SME loans • US$200m in grants to advance financial inclusion worldwide • Investment in social bonds issued by IFC and JICA	48%	49%
6	• US$13bn invested in water quality and conservation • US$700m investment in energy-efficient water projects • Solar water pumping stations for 11 villages in South Africa providing 20k litres per day for 8k people per village	43%	49%
9	• US$1.3bn to build Bangladesh's largest fertiliser plant • US$300m impact debt fund • US$23m road reconstruction and storm drainage system in Ghana	43%	41%
1	• US$24bn of benefits paid to customers • US$2.6m for disaster relief and community rehabilitation and development in India	38%	41%
2	• US$2m for nutrition services for children in India • 800k meals packed through partnership with Rise Against Hunger	25%	28%

Source: The Future of Capital, Force for Good Initiatives Database

SDGs that financial institutions feel accountable for, in particular the issues local to their community (issues of inclusion, rights and welfare) and the wider planetary considerations in so far as it affects their operations (climate change is now recognized widely as one of those) have taken priority. The positive news is that c.84% of the institutions in the analysis (representing c.92% of the total assets in the analysis) explicitly focus on climate change, and c.55-65% focus on SDGs around inclusion such as education and healthcare. The downside is that less than a third is explicitly focused on zero hunger, a problem most prevalent in least developed countries where finance industry leaders have only minimal footprints and for which the industry has not yet developed their commercial rationale for addressing the issue. This 'local' rather than 'holistic' approach clusters industry support in a few goals and risks leaving key geographies and other goals underfunded.

A Whole View: The Idea of 'Force for Good' Applied to the SDGs

Stepping back however, the SDGs represent the world's most comprehensive formulation of what such a sustainable future might look like, covering 17 distinct environmental, social, political and technological goals covering 169 specific targets and 232 individual indicators through which to measure progress and their potential achievement. Given this breadth, virtually every 'force for good action' or initiative taken by the finance industry can be viewed from the lens of advancing the SDGs, regardless of whether the SDGs are being consciously targeted or not. For example, funding clean energy projects contributes to both Goal 7: Affordable and Clean Energy and to Goal 13: Climate Action, participating in industry associations that promote sustainability contributes to Goal 17: Partnership for the Goals, and even simple actions like replacing single use straws in canteens can contribute to multiple goals.

If one were to look at the totality of the finance industry's initiatives from the perspective of how they correlate to the SDGs, in the broadest sense, all of their 'force for good' actions are of relevance to the UN and its strategy and roadmap for financing sustainable development. The table below captures the link between industry leader's force for good engagement and the SDGs supported.

Figure 2.16: Broad Support of the SDGs by the Finance Industry

The Emerging Common Ground is Substantial

The finance industry leaders have established a broad common ground on ESG, sustainability and stakeholders. This points to a convergence of perspective being followed through in hard policies and practices. Ultimately these either already promote or will promote the growth of mindful conduct, caring for the planet and compassion for stakeholders in pursuit of the common good.

The detailed analysis of the leaders of the finance industry as part of this work shows a high degree of common ground. The likely direction of travel for the industry, as well as to the industry's position and trajectory as a 'force for good' in the world, are clear. The detailed analysis of the initiatives and programs across the 'force for good' categories support ten key conclusions on the common ground that has been established in the financial industry as a whole:

1. **90-100% Have Integrated ESG Policies Represent the Minimum Bar for the Industry.** *Any* market-leading financial institution *needs* to have more than an ESG policy; they need to have integrated ESG systems and processes, a sustainability-oriented focus, empowered employees, and a respect for all stakeholders to be a high performer in this area. This is no longer a matter of choice, 90-100% of industry leaders in this analysis are already doing all these things (and in most cases many more) thereby setting the bar for all other participants in the industry and a high bar for those that wish to become industry leaders.

2. **78% of Institutions Have Gone Further in Institutionalizing ESG and Sustainability.** A substantial majority of institutions in the analysis have not only adopted policies and processes, but have started to capture detailed ESG metrics, implemented detailed ESG frameworks, and have started to focus on making a tangible impact across specific SDGs through their core businesses.

3. **40-50% of Leaders Use ESG as a Mechanism to Achieve Their Goals.** Many industry leaders are further using ESG to drive broader organizational and societal goals beyond the environment or immediate SDG goals, for example with 41% banning or restricting financing for the production and sale of civilian firearms, and 30-45% of institutions having similar policies for gambling, pornography and alcohol.

4. **c.98% of the Industry is Participating in One or More International Associations.** Industry leaders are actively collaborating through various international associations for ESG and sustainability, such as the UN-PRI, and thereby helping to establish common market standards and best practices for the industry.

5. **Industry Leaders have Mobilized US$245 Billion for Environmental Sustainability Financing in 2019.** The 63 institutions in the analysis alone have mobilized US$245 billion for sustainability related investing through various instruments in 2019, or c.67% of the total sustainability investing globally. In doing so, the industry has assumed a leading role in the global effort to mobilize financing on the scale necessary.

6. **97% of Industry is Seeking to Reduce its Carbon Footprint.** Finance industry leaders are leading their own and other industries by example by measuring and actively looking to reduce their own carbon footprint. While this may have a negligible impact on climate change on its own, the signaling effect of it to corporate peers has the potential to lead to the widespread adoption of a similar approach in other (more polluting) sectors as well.

7. **c.90% of Leaders Have Pledged a Commitment to All Stakeholders.** Most of the industry's leaders have publicly adopted a commitment to embrace and engage various stakeholders (including customers, communities, governments and regulators, and corporate peers) pointing to the transition away from the industry's historical focus on shareholder returns.

8. **95% of the Leaders Support Their Local Communities, US$1.4 billion Invested into Communities Annually.** As part of its multi-stakeholder approach, industry leaders have increased their focus and spending on programs that address systemic issues at the community level, giving back in terms of education, healthcare, arts and culture and development of underprivileged communities.

9. **80-98% of Institutions Have Focused on Employee Diversity, Inclusion and Well-Being.** The overwhelming majority of industry leaders have adopted anti-discrimination policies and followed them through in practice (by increasing the proportion of women employees and directors for example) and launched initiatives to improve employees' well-being beyond standard healthcare, to include mental health and mindfulness programs too.

10. **13 of 17 SDGs Specifically Prioritized by Financial Institutions.** The finance industry has begun to explicitly champion a growing number of the SDGs, in particular those relating to climate change and environmental sustainability, with many setting organizational targets to contribute to the goals and tracking progress against these with regular reporting.

The emerging common ground being established by industry leaders points to an increasing alignment of the industry with the challenges facing the world and sets the stage for them to act as a 'force for good'. Importantly, it also sets the bar in terms of standards that the broader finance industry will need to meet if it is to follow their lead and act as a catalyst for change. Although the financial institutions are mostly acting individually, particularly given they are extremely competitive, the substantial common ground points to three important implications, firstly, a de facto standard is emerging for leadership and it includes addressing the world's major issues, secondly, the industry is reaching a tipping point since the direction of travel is unlikely to be reversed, there being no reason to do so and, thirdly, the self-sustaining growth of these initiatives over time leading to systemic changes in how and where capital is allocated and returns are rewarded.

3. BREAKING NEW GROUND, TO LEAD IN DOING GOOD

Multi-dimensional Engagement as a 'Force for Good'

It should be no surprise that the leaders of the finance industry are adapting to existential threats to the planet and its ecosystem, changes to the world's political and economic structures and the pressures of inequality and inequity in society, with fundamental changes to their businesses. Given the critical role of finance, this is most likely to lead to capitalism itself being catalyzed for change.

Capitalism's resilience throughout history is a function of both its efficiency in allocating capital through lesser and major cycles of change, from the changing of seasons to the rise and fall of civilizations, and major events. While the names may change, and the number of participants too, the leaders of finance have been those that understood the environment, their stakeholders and their rivals and were adaptive in changing their organizations to meet evolving needs.

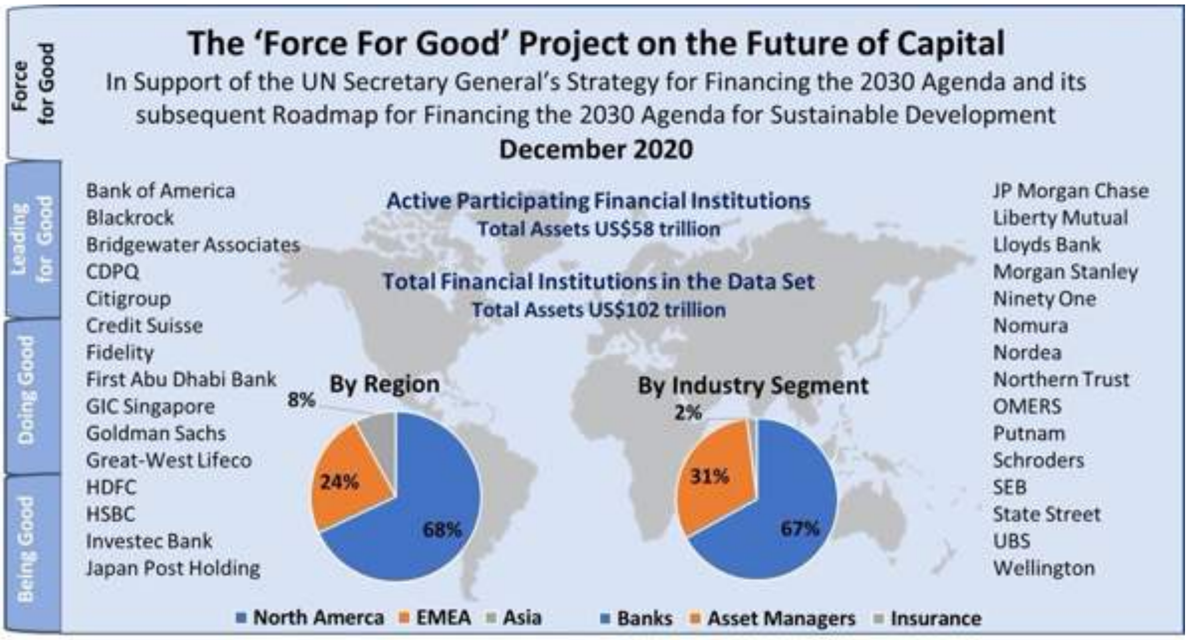
As they have in history, the leading financing institutions are adapting to existential threats to the planet and its ecosystem, changes to the world's political and economic structures and the pressures of inequality and inequity in society, with fundamental changes to their businesses

Capitalism as a system, of course, does not stand outside of the world but is an integral part of it and will evolve too with society and the world at large, to maintain its relevance. This evolution will impact all of the system's participants, producers and distributors, intermediaries and market makers, investors and financiers, and consumers themselves.

Finance industry's leaders across the world have understood this and have launched a multitude of initiatives that are changing the way capital flows and these will dramatically change the system overall.

This section describes the initiatives of the 63 industry leaders examined, with summary and case studies provided for the 30 active participants. The initiatives they have launched and/or participated in impact finance, the broader allocation of capital and illustrate the nature of the changes underway.

Figure 3.1: The 'Force for Good' Project – Active Participating and Other Significant Financial Institutions



The 'force for good' initiatives of finance industry leaders generally can be placed into three categories, differentiated by their objectives and aims. Overall, the engagement by finance industry leaders is both deep and broad, with each participant active in multiple initiatives across the various categories.

This section describes the breadth of the 'force for good' initiatives being undertaken by leaders and provides brief case studies of leaders' specific initiatives in each of the categories. In the interests of brevity, cases for each participant in each category have not been used, although the leading financial institutions tend to span the full breadth of acting for the common good. Detailed versions of these case studies are provided in Annex II.

'Being Good', Internalizing the Lessons

The first category of 'Being Good' includes initiatives focused on good citizenship in society and of the global system. This category includes both any 'inward looking' initiatives focusing on companies' own operations as well as participation in general initiatives and actions that may not be specific to the financial industry.

The 63 industry leaders examined have been highly proactive in this regard, driving and supporting a wide range of initiatives including:

97%
pursuing climate change targets

Operational Climate Change Targets

98% of the industry leaders have put in place targets for reducing carbon emissions in their own operations, with a number setting target dates for achieving net carbon neutrality. These targets are underpinned by measurement and reporting using standardized metrics, with many companies disclosing performance according to international standards like that of the Carbon Disclosure Project.

95%
have community outreach programs

Community Outreach

Over 95%[22] of financial companies run community outreach campaigns focusing on the broader wellbeing of the communities in which companies operate. These can include initiatives for specific objectives like education and employment, conservation, social equality and justice, community health and prosperity, among others, as well as region specific programs focusing on multiple objectives.

81%
run employee training programs

Employee Training

More than 80% of the leading financial institutions run comprehensive employee training programs to build and diversify employee skills, improving employee productivity, satisfaction and retention and employee training.

81%
reducing their organization's environmental footprint

Operational Environmental Impact Initiatives

Approximately 81% of institutions have adopted initiatives to improve the environmental footprint of their organization by changing their operations. Initiatives targets include waste-to-landfill, energy, paper and water use reduction targets, the elimination of single use plastic, and sustainable buildings.

90%
have supplier diversity programs

Stakeholder Diversity Programs

Approximately 90% of finance industry leaders have developed programs (that are publicly disclosed) focused on promoting the diversity of a company's broader stakeholder group such as preferred supplier programs for enterprises with owners from diverse backgrounds.

78%
actively promote employee diversity

Employee Diversity Programs

In excess of 75% of financial institutions have adopted employee diversity programs focused on improving diversity in the workforce whether based on gender, race, sexual orientation, disability culture, religion, race or other criteria. Programs adopted by banks include outreach initiatives, employee training and hiring programs

73%

have employee wellness programs

Employee Wellbeing Programs

Over 70% of financial institutions have publicly disclosed various initiatives implemented to improve the mental, physical and financial health of employees, including enhanced benefits program, and mentoring programs, among others.

70%

have organized volunteering schemes

Volunteering

Approximately 70% of finance institutions have publicly disclosed employee volunteering schemes, including time-off work volunteering programs, organized volunteering initiatives, employee volunteering with company donation schemes.

51%

engage in charitable giving

Philanthropy and Charity

Majority of the companies have publicly disclosed their donations to charities, with several of them making them through corporate foundations established specifically for this purpose.

'Being Good' initiatives enable companies to be a 'force for good' as participants in society who, when engaging with their stakeholders and the world at large, can credibly lead by example in terms of promoting good behaviors and pursuing good outcomes. This has the potential of changing the behaviors and outlook of other participants in the system, with their cumulative actions and efforts making a positive impact to improve the system as a whole.

Figure 3.2: Category 1 – 'Being Good' Industry Initiatives: Examples

BRIDGEWATER

Principles-Based Culture Built on Meaningful Work and Relationships

"We're trying to create a unique culture that delivers excellence. There is a constant focus on what's required to be excellent, and we are constantly assessing the gaps in between"
David McCormick CEO, Bridgewater

Culture founded on truthful and transparent communication to ensure the best ideas win out. Meaningful work and meaningful relationships are the basis of high-performing teams that engage in rigorous and thoughtful inquiry.

- Strategic diversity & inclusions practices and across the employee lifecycle
- Leading benefits, including mindfulness/mediation programs

GREAT-WEST LIFECO INC.

Delivering Integrated Stakeholder Value

"Our purpose is to improve the financial, physical and mental well-being of Canadians. We believe this is best achieved by working together with our customers, advisors, colleagues and the community."
Paul A. Mahon, Chief Executive Officer

Integrated approach to sustainability and corporate social responsibility working with broad stakeholder groups

- **Focus on Wellbeing.** Programs and services to help advance well-being of Canadians
- **Environment.** Managing the company's environmental footprint
- **Workplaces.** Focusing on its people
- **Community Support.** Giving back the community and Canadians

Investec

Conservation and Community Development

"Investec aims to build a more inclusive wildlife tourism economy which incorporates previously excluded communities into the value chain by educating, training and creating new enterprises"
Tanya dos Santos, Head of Group Sustainability

Building sustainable eco-tourism in South Africa through community development and conservation, including

- **Education.** Digital learning and English language skills for rural youth
- **Employment.** Employ youths in conservation projects
- **Infrastructure.** provide water infrastructure to aid the development of rural communities
- **Conservation.** Direct wildlife conservation

JP 日本郵政

Contributing to Build a Sustainable Society

"To enhance the enterprise value of the Group, it's important for us to pursue measures that directly boost profitability, while at the same time actively fulfill our social responsibilities."
Hiroya Masuda, President and CEO

Creating a sustainable society as the core mission driving regional regeneration

- **Partnership** for building a sustainable society in Japan,
  - Communicating with stakeholders.
  - Ensuring a safe working environment
  - Promoting environmental conservation
- **Integration with broader SDG goals** with specific three year targets
- **Building ESG** investing into the end-to-end investment process through engagement

‘Doing Good’, Deciding What to Support

The second category of ‘doing good’ is through the finance industry’s core business, wherein it prioritizes business selection and execution according to a set of commercial and broader societal objectives and goals. Deciding the criteria by which to allocate funding is a powerful mechanism for incentivizing certain behaviors given that nearly every participant in the modern world requires access to capital to survive and thrive.

In this critical area, the industry’s leaders have been driving and supporting a wide range of initiatives which have become flagships for many of them as to how they define their efforts for good for their stakeholders, including:

98%
participate in sustainability organizations

Industry Participation in Associations.
98% of financial institutions surveyed participate in industry or thematic associations focused on standard setting and coordination on sustainability and ESG related issues.

98%
have implemented ‘sustainable finance’

Sustainable Investing (and Financing).
97% of companies examined, representing US$101 trillion in assets apply screening criteria to all business selection to exclude projects and/or customers deemed to be harmful, with a smaller subset applying a series of positive screening metrics to proactively promote the funding of what they see as sustainable projects and enterprises.

84%
have sustainable portfolio balance targets

Portfolio Balance Targets.
Over 80% of companies have established portfolio balance targets for their investment holdings or business mix, capping the percentages of their exposure to certain activities, for example by setting carbon caps or target dates for achieving carbon neutrality.

86%
engage with clients and investees on ESG

Shareholder/Client Engagement.
More than 85% of finance companies have publicly available policies on how they engage with their clients and investee companies on ESG and broader sustainability issues, using their position and resources to work with these parties to implement sustainability measures.

73%
offer ‘sustainable’ products

‘Green’ and Sustainability linked Products.
Approximately 73% of the financial institutions have extended their sustainable investing practices to the development, underwriting or distribution of sustainable products, like green, social, and sustainability linked bonds, mortgages, loans to fund sustainable opportunities.

64%

publish 'force for good' research

Sustainability Research.

In excess of 60% of institutions conduct and publish specific research and thought leadership on sustainability and ESG related topics, leveraging their internal expertise and resources to educate a broad set of stakeholders on important issues.

16%

engage in impact investing

Impact Investing (and Financing).

More than 15% of financial companies, run programs for 'impact investing' with the intent to generate a measurable, beneficial social or environmental impact, sometimes alongside a financial return and sometimes just to make the impact.

10%

have sustainability advisory services

Sustainability-related Advisory Services.

A small group (fewer than 10%) of financial institutions have also established capabilities to provide sustainability related advisory services, helping clients to plan, execute and ultimately finance their objectives in a sustainable fashion.

In this second category of engagement, the finance industry leaders focus on using their influential position in the economy to do good, using exclusion criteria to starve out activities by economic participants that they deem harmful, and promoting sustainable activities and actors by providing them with capital. The industry becomes a 'force for good' both directly through the promotion of sustainable outcomes and behaviors (and its reduction of harmful ones) as well as indirectly through the longer-term shift in activities that these interventions bring about, with these longer-term shifts in particular helping to change the system as a whole.

Figure 3.3: Category 2 – 'Doing Good' Industry Initiatives: Examples

BLACKROCK

Purpose Driven Investing

"Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being – what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them."

Larry Fink, CEO

Embedding a focus on long-term sustainability to increase financial well-being

- **100% ESG integration** of all investments and advisory strategies in 2020
- **Investment Stewardship** 3,000 engagements and voting at 16,200 shareholder meetings
- **US$152bn in ESG AUM** over 200 sustainable investing index and active products
- **Public Policy Advocacy**

BRIDGEWATER

Scalable & Systematic Approach to Sustainable Investing

"The journey of scalable sustainable investing is a strategic priority for Bridgewater and our clients."

Brian Kreiter COO, Bridgewater

Using Systematic Research Process to Engineer Scalable Portfolios to Achieve Financial & Sustainability Goals

- Deep macro research on how environmental, social, and governance issues drive economies and markets
- Use systematic research and portfolio engineering capabilities to engineer portfolios that seek to achieve three dimensions: return, risk, and impact.
- Developed a scalable, strategic asset allocation using assets aligned to the UN SDGs.

Stewardship Investing Focused on Climate Change

CDPQ

"Environmental, social and governance (ESG) matters should not be seen as constraints. They are an opportunity to generate sustainable growth that benefits everyone."
Corporate Statement

Stewardship investing priorities include climate change, diversity and governance

- **Carbon neutral portfolio** by 2050, working with the NetZero Alliance,
- **US$25bn low-carbon investments** in portfolio as at December 31, 2019, an increase of US$13.5bn since 2017
- **25%-reduction target on the portfolio's carbon intensity** (emissions per dollar invested) between 2017 and 2025

Supporting the Regional Energy Transition

FAB First Abu Dhabi Bank

"At FAB, we are guided by the increasing focus and mandates set out by the UAE Government to diversify and transition the UAE economy."
Belinda Scott, VP and Head of Corporate Sustainability

Core mission to diversify and transition the UAE economy from carbon to a sustainable future.

- **Transforming Finance.** Green bonds, private placements and other financing in the region
- **Transforming Portfolio.** Growing investment portfolio of green and ESG integrated AuM
- **Transforming Projects.** Funding of renewable and green projects regionally and internationally

ESG in Action

Fidelity Investments

"We believe the operating behaviors, principles, and outcomes associated with ESG initiatives are integral to a company's long-term economic success, and therefore of critical importance to sound investment decisions."
Pam Holding, ESG Lead for Asset Management

Embracing sustainable capitalism by actively managing the transition to companies and funds that are sustainable and resilient

- **Looking to the Future.** Development of forward looking ESG ratings
- **Engaging and Influencing.** Engagement with 15,000 company management teams a year
- **Managing Change.** Active in launching thematic investment strategies aligned with SDGs and diversified ESG solutions

Investing Framework With Sustainability Integrated

GIC

"Companies with good sustainability practices offer prospects of better risk-adjusted investment returns over the long term."
LIM Chow-Kiat, CEO

Sustainability is core to GIC's mandate as a long-term investor

- **Sustainability Policy integration** across GIC's investment and corporate processes, including:
- **Integrating sustainability factors** into the investment processes across all asset classes
- **Investing in thematic opportunities**
- **Greening the portfolio** of real assets
- **Incorporating sustainability signals** into quantitative strategies

Adopting Responsible Investment Practices

Great-West Lifeco Inc. ILIM

"We…will continue to be focused on the impact of our approach for future risk adjusted returns, the companies we invest in, and our broader society."
Sandra Rockett, Director, Wealth and Corporate Distribution, ILIM

ILIM, a subsidiary of Great-West Lifeco, applies a 'responsible investing approach':

- **ESG Macro-Themes.** Considered within investment decision making across the entire portfolio
- **1st Irish UNPRI Signatory.** Pioneer in the European investment industry
- **EUR25bn in ESG Assets**. As of Q4 2020
- **30% Reduction in Carbon Intensity.** Equity portfolio significantly less carbon intense than global market

Insurance as a Social Good

Liberty Mutual Insurance

"At Liberty Mutual, we believe progress happens when people feel secure. This belief is underpinned by our conviction that insurance is a socially responsible product, delivering security to people and businesses"
Francis Hyatt, Chief Sustainability Officer

Commitment to be environmentally conscious and a force for social good

- **Renewable energy** insurance products that support wind, solar, geothermal, hydroelectric and biomass
- **Energy investment strategy** based on low-carbon projects, notably wind, solar and hydroelectric
- **Diversity & Inclusion** around new ways to attract, engage and retain employees who reflect the needs of our clients and communities

Creating a Sustainable And Inclusive Business

Lloyds Banking Group

"A sustainable and responsible approach to doing business is integral to everything we do. We aim to Help Britain Prosper by operating as a responsible, sustainable and inclusive Group. This underpins our purpose and strategy."
Corporate Statement

Making the biggest difference to creating a more sustainable and prosperous Britain

- **Low Carbon.**
  - 5.1m homes powered by renewables
  - Since 2016 we've provided more than £6bn in green finance to business (August 2020)
- **Housing.** £13.8bn to first time home owners,
- **Savings.** £37.1bn growth in retirement assets
- **Entrepreneurship.** SME lending up £3.4bn
- **Social Impact.**
  - ***£50.8 m community investment and*** *2,929 charities supported in 2019,*
  - *£6.4 bn funding support for the social housing sector*
- **Digital Inclusion.** 738,000 people trained
- **Diversity.** 37/10% women/Black, Asian & minority ethnic managers

Impact Investing: Sustainability for Africa

Ninety One

""The private sector has a crucial role to play in unlocking the conditions for the long-term, sustainable development of Africa's infrastructure."
Henrik du Toit, CEO and Founder, Ninety One

Providing Growth Capital, Expertise and Support to Fuel Africa's Long-term Development

- **US$1bn Infrastructure financing** for sustained economic stability, business confidence, job creation and poverty reduction: supporting nearly 80 infrastructure projects in 21 African countries
- **SA recovery fund** to protect South African industrial capacity being raised

NOMURA

Sustainable Technology and Infrastructure Banking

"Our management vision is to achieve sustainable growth by helping resolve social issues. …We will continue to serve our clients with pride, and work to expand the scope of our business and realize sustainable growth."

Kentaro Okuda, President and Group CEO

Acquired specialist M&A advisory with domain expertise in clean energy and energy smart technologies

- **Leading industry expertise** in sustainable technology and infrastructure
- **US$21bn M&A deal volume** to date
- **US$4bn capital raised** to date
- **70 GW asset transactions,** to date
- **130 completed transactions** to date

Nordea

Green Product Innovation

"Sustainability is integral to what we do at Nordea … We are continuously developing our offerings to enable our clients and customers to make conscious sustainable choices.

Innovator and early adopter of products and services with built in sustainability criteria, including

- **US$3.9bn green bonds** issued to date (2019)
- **Sustainability bonds**
- **11 sustainability funds** launched in 2019
- **Green corporate loans**
- **Sustainability linked loans**
- **Green housing loans** and mortgages
- **Green leasing** and car loans

NORTHERN TRUST

Sustainable Investing Strategies

"We believe organizations with a demonstrated commitment to corporate social responsibility and sustainable investing create greater value for shareholders and key stakeholders"

Michael O'Grady

Multidimensional approach integrating sustainable investing objectives, investment acumen and stewardship for long term value creation

- **Quantitative and Fundamental ESG investment techniques** to mitigate risks and capture new opportunities
- **Sustainable strategies:**US$107bn under management in sustainable strategies
- **ESG specific funds:** 9 new ESG funds launched in 2019 bringing the firm's total fund offering to nearly 40; currently serving as the largest provider of ESG Index UCITS funds in Europe

OMERS

Driving Sustainability and Championing Inclusion & Diversity

"We have a duty to think long into the future and find and grow responsible and sustainable businesses and services... While investing in sustainable businesses and services that think about, and are built for the future"

Satish Rai, CIO

Leverages Sustainable Investing Policy to drive tangible impact in portfolio, for example through:

- **30%** target for women on boards and executive management of public portfolio companies
- **30% carbon reduction target** for real estate portfolio
- **US$3.3bn investments** in clean energy, low-carbon and next-generation energy projects

Putnam INVESTMENTS

Forward-looking Sustainability Research

"Active management has the potential to add context and value to sustainable investing. Current conditions illuminate new opportunities and new solutions that contribute to a thriving society, planet, and economy."

Katherine Collins, Head of Sustainable Investing

Extending Putnam's fundamental research strength to forward-looking ESG, sustainability, and impact analysis

- **Investment themes related to SDG's**
- **Development of sustainable investing products**, with over US $6bn in combined assets as of Sept-2020
- **Engaged ownership and dialogue** with companies, holding over 3,000 meetings p.a.

Schroders

Portfolio-wide Sustainability Accreditation

"Investors are increasingly convinced that there is no trade-off between performance and sustainable investing and in fact, many social issues will be a driver of returns, today and in the future"

Marc Brookman, CEO America

Sustainability Accreditation integrating ESG across 100% of its US$693bn investment portfolio by 2020, including

- **'Screened'** funds excluding certain activities
- **'Integrated'** funds considering consider ESG factors throughout the investment processes
- **'Sustainable'** funds seek to identify the best-in-class sustainable companies
- **Impact'** funds whose main goal is to achieve specific and measurable ESG impacts

STATE STREET

Stewardship Impact: Fearless Girl

"Fearless Girl ignited a global conversation about the power of women in leadership and inspired companies around the world to add women to their boards."

State Street Global Advisors website

- **Fearless Girl** statue was placed in New York's financial district on the eve of International Women's Day in 2017 as a symbol of the correlation between gender diversity and better business outcomes.
- **Nearly 800 companies** of the 1,463 without any female board members have since added a woman.
- **Fearless Girl** has become a symbol of the power of engagement to drive sustainable and inclusive outcomes.

WELLINGTON MANAGEMENT®

Partner-Invest-Engage Approach

"We think active managers can guide companies to better long-term outcomes and financial performance by helping improve ESG practices…encouraging board diversity and independence or advocating better health and safety practices

Wendy Cromwell, Director, Sustainable Investment

The 'Partner-Invest-Engage' programme takes a holistic approach to investments

- **Partner -** Partnering with organizations at the forefront of sustainability to deepen insights
- **Invest –** Invest across 11 focus areas in climate strategy, emerging markets development, and low-carbon solutions
- **Engage** - Engagement to assess risks and opportunities, and to influence corporate behavior and enhance value

‘Leading for Good’, Breaking Boundaries

The emerging common ground among the leading financial institutions across the world sets a high bar for others in the industry. However, the common ground was never enough. Many of the organizations examined are already breaking new ground in terms of having a positive impact on key issues.

When organizations step up to drive progress directly in their countries or on the world stage, they do so as leaders, with the fact that they come from a particular industry not being the most important factor. Leaders of the finance industry have begun to do this to meet global objectives by mobilizing capital, their own organizations and the broader stakeholder community to drive initiatives with a direct impact on major issues and opportunities. These actions have a potentially substantial and direct impact on many major global issues. Managing 90%[23] of the world’s net investible assets, the industry is in a position to drive change at scale and working with other stakeholders it can magnify its impact to make the most lasting impact to how the system works to make a positive impact on major issues and opportunities.

A number of bold and ambitious endeavors have been initiated by the leaders of the finance industry through international agreements, as an industry collective or through individual action to impact key world issues including mass inclusion, climate change and the future of the financial system

A number of ambitious endeavors have been initiated by the leaders of the finance industry examined during this study. Some of them are to join hands to make a global impact on issues as part of a compact (often initiated by the UN or another international institution), others are designed by a collective to together make an impact and still others are initiated as individual initiatives led by one organization that has then co-opted other stakeholders to address a major issue or the system as a whole. These are bold, imaginative and potentially society and world changing endeavors.

The initiatives that are evident among the global finance industry’s leaders have this kind of scale and reach, nationally or internationally, include the following:

35-40%

have committed to major alliances

Outcome Driven Alliances to Address Major Systemic Issues.

35-40%[24] of financial institutions have signed up to major global alliances to address systemic issues facing the world with significant commitments on their part. By virtue of their scale, it is important that the largest financial institutions act to provide the leadership. Examples of the significant goals currently being pursued at scale include managing the climate transition, reducing pollution, and mass inclusion.

17%

of institutions realigning their core businesses

Addressing Major National Issues with Governments.

A small number of financial institutions are working to lead either directly or in partnership with governments in addressing major national issues, administering national programs that in the past would have been the remit of governments alone to executing and funding impact programs. Examples include affordable housing and slums rehabilitation, urban renewal and racial equity initiatives.

16%

of institutions realigning their core businesses

Goal Oriented Business Realignment.

Approximately 16% of institutions have realigned their businesses around the pursuit of broadly defined sustainability goals, setting highly ambitious targets with a meaningful potential global impact, and reorganizing their entire business around their pursuit. This includes changing business development and origination, building new domain expertise, developing new client and supplier relationships, innovating new products and services and of course selecting business differently. Major examples of goals currently being pursued at scale include managing the climate transition, reducing pollution, and mass inclusion.

5%

of leaders creating new institutions

Creating New Institutions.

Some (fewer than 5%) of institutions are creating new institutions entirely to address a systemic failure to allocate capital to entrenched issues. The vehicle for doing so is often modelled on an existing institution, leveraging and supplementing existing organizational skills, but at a scale that is unprecedented in an effort to make a dramatic and lasting impact. A recent example of newly created organizations is a development finance institute within a major global bank.

5%

of leaders developing new financial systems

Developing New Scalable Global Financial Systems.

All the leaders of the finance industry in this study are leveraging technology to transition to the emerging digital economy, investing in areas such as big data analytics, artificial intelligence, blockchain and mobile technologies. Among these companies, a small number (fewer than 5%) are placing more radical bets on technologies and business models that could revolutionize the current financial system if adopted at scale by disintermediating or changing the role of critical actors like central banks and market makers. Key examples include the development of global digital currencies and payments mechanisms using distributed ledger technologies

By the very nature of their scope and ambition, most ‘leading for good’ initiatives are limited to the industry’s largest participants, who have the financial, operational and reputational resources necessary to execute on large scale projects driving fundamental change. Given this scale, however, these initiatives have the potential to initiate major global changes.

Figure 3.4: Category 3 – 'Leading for Good' Industry Initiatives: Examples

Bank of America — Leading the Charge in Social and Sustainability Bond Issuance

"Bank of America is proud to build upon its long-standing commitment to our communities through ESG and sustainable finance initiatives. This innovative offering aims to support progress toward racial equality and environmental sustainability by leveraging the company's extensive capabilities and committed local engagement. We believe this offering will inspire other issuers and mobilize additional capital to address these critical issues."
Tom Montag, COO, Bank of America

BofA Issues $2 Billion Equality Progress Sustainability Bond
- 1st such offering in the Financial Services industry
- Use of Proceeds
  - Allocated equally between environmental and social purposes
  - The social portion will be dedicated to the **financial empowerment of Black and Hispanic-Latino communities**

BofA Issues $1 Billion Social Bond to support fight against COVID-19
- 1st such offering by a U.S. Commercial Bank
- Use of Proceeds: **lending to not-for-profit hospitals, skilled nursing facilities, and manufacturers of health care equipment and supplies**

Citi — US$250bn Environmental Finance Initiative

"With our $250 billion goal, we want to be a leading bank in driving the transition to a low-carbon economy, which we anticipate will accelerate as businesses of all kinds shift to a more sustainable future."
Michael Corbat, Chief Executive Officer

Five-year 2025 Sustainable Progress Strategy to help accelerate the transition to a low-carbon economy.
- **US$250bn Environmental Finance Goal:** Finance and facilitate global climate solutions in renewable energy, clean tech, water quality, green buildings, sustainable transportation, et al.
- **Climate Risk:** Measure, manage and reduce the climate risk and impact of our client portfolio
- **Sustainable Operations:** Reduce the environmental footprint of our facilities

Credit Suisse — Generating Returns. Sustainably.

"[There] is an awakening to the notion that the social and environmentally targeted themes underpinning impact investments are ultimately fundamental to a well-functioning, prosperous global economy."
Marisa Drew, Chief Sustainability Officer and Global Head Sustainability Strategy, Advisory and Finance

Executive board-level function to drive and deliver innovative sustainable solutions:
- **Goal of at least CHF 300bn of sustainable financing** over the next decade
- **Pioneering financial structures** including "Sustainable Transition Bonds"
- **Leadership in conservation financing**
- **Deep impact** products targeting the BoP
- **Publishing thought leadership and promotion of industry best practice** to catalyse private capital towards sustainable solutions

Goldman Sachs — Integrated US$750bn Sustainable Finance Commitment

"It's rooted in the view of where the world is going. These two themes are increasingly shaping the operating environment the economy and thus the world for our clients and for ourselves."
John Goldstein, Sustainable Finance Group Head

Deploying $750 billion into sustainability across investing, financing and advisory activities by 2030
- **Commercially driven shift** to climate change and inclusive growth as core growth themes
- **Aligning capital, technology and public policy**
- **Multiple sectors targeted** across the firm: renewables, transportation, agriculture, education, healthcare, community investments, financial inclusion, and waste and materials

HDFC — Driving Mass Affordable Home Ownership

"[HDFC] has remained steadfast in its commitment towards supporting the Government's flagship scheme, 'Housing for all' and continued to pursue efforts towards lending to the economically weaker... segments."
Deepak Parekh, Chairman

Pioneer in using finance for mass inclusion of India's people in home ownership
- **Affordable Housing for the Poor.** Leading participant with Government of India flagship housing programme, PMAY to provide affordable housing to the poor
- **Government target to build 20 million affordable houses** by 31 March 2022
- **HDFC has cumulatively financed US$6.0bn, 200,000 home loans**, under the government's PMAY-CLSS scheme, even during the lockdown

HSBC — US$1 trillion Zero Carbon Commitment

"What we have given the market is an ambition that our total financing by 2050 will be net zero, that is a far bigger prize or goal than picking a sub-segment of our portfolio and saying 'I am not going to bank you' because that's not what the world needs."
Noel Quinn, Chief Executive Officer

Commitment to transition global customer base to net zero carbon by 2050, through
- **Facilitation.** Advisory services and underwriting with US$19bn in green, social and sustainability bonds issued in 2019
- **Financing.** Lending facilities for defined uses of proceeds
- **Investments.** Into companies and funds that have an impact with US$508 billion in responsible investment and US$10bn in sustainable investment AuM

JPMorgan Chase & Co. — Multi-Dimensional Impact Strategy

"Systemic racism is a tragic part of America's history. We can do more and do better to break down systems that have propagated racism and widespread economic inequality, especially for Black and Latinx people. It's long past time that society addresses racial inequities in a more tangible, meaningful way."
Jamie Dimon, Chairman and CEO, JPMorgan Chase

Multi-Dimensional, Global Impact Strategy
- **US$100bn Development Finance Institution** to scale up finance for developing countries
- **Paris-aligned Financing Commitment** for oil and gas, electric power, and automotive manufacturing sectors
- **US$30bn to advance racial equity,** supporting affordable housing, minority-owned businesses, financial inclusion, and workforce diversity
- **US$500m *Advancing*Cities initiative,** combining lending and philanthropic capital to drive inclusive growth

Morgan Stanley — Preventing 50m Metric Tons of Plastic Waste

"The Plastic Waste Resolution continues that commitment by supporting research and thought leadership to enable us to better understand the challenges around plastic waste and the potential solutions"
Audrey Choi, Chief Sustainability Officer

Integrated Plastic Waste Resolution to prevent and remove 50m tons of waste from rivers, oceans and landscapes by 2030
- **Underwriting bonds** to reduce plastic waste
- **Developing products** which consider the risks and opportunities from plastic waste,
- **Financing** waste recycling and disposal systems for plastic waste.
- **Developing tailored SDG portfolio** strategies
- **Supporting entrepreneurship**, research and technologies focused on plastic waste

Pioneering New Sustainability Financing Products

"We innovate new sustainable financial services, we provide advice and investments, and we support our corporate and institutional customers in their transition to more sustainable business models."
Mark Wallenberg, Chairman

Developed 'Green Bond' concept in 2007-08 in partnership with World Bank and has been a global leader since, including:

- **4th largest underwriter** of Green Bonds since inception, a US$236bn market globally in 2019
- **US$7bn** of Green Bonds underwritten in 2019
- **4% market share** of issuances (2019)
- **US$235m "Blue Bond"** issued in 2019, the first of its kind, to reduce pollution in the Baltic Sea

Providing Finance and Expertise for the SDGs

"At UBS we see a strong business rationale for catering to the growing importance of and the demand for sustainability – as embodied by the SDGs. We are committed to playing a leading role in providing both finance and expertise to meet these ambitious global goals"
Corporate Sustainability Report 2019

Comprehensive commitment to sustainability across the business

- **5 SDGs prioritised for targeted action,** with US$3.9bn of SDG impact investments in 2019
- **US$488bn of assets in core sustainable investments,** or 13.5% of total,
- **Digital currency developed,** with Fnality project for digital settlement of transactions in five major currencies

A Cumulative Impact Creating a 'Force for Good' and Initiating Systemic Changes

The initiatives outlined above, whether focused on being good, doing good or leading for good, contribute to the finance industry being a 'force for good'. The three categories of initiatives are not exclusive to one another, but increasingly interlinked and aligned around the core goals and ambitions of the institutions that are executing them. It is the cumulative impact of all these initiatives that, if they become widely adopted make the finance industry and its actors a 'force for good' in the world, both individually and collectively.

There is a growing commitment to transform the financial system for increased sustainability, changing how capital is prioritized, priced and allocated and therefore materially shaping human activity around the world.

Industry leaders are in the process of changing how they operate, allocate capital, and more broadly lead in society. They are currently doing this while acting alone, in groups or as part of broad coalitions. Cumulatively these initiatives point to a growing commitment to a sustainable future, with industry leaders changing how capital is prioritized, priced, and allocated, materially shaping human activity around the world and transforming the financial system in the process

It is important to note, of course, that while the sustainability frameworks employed by finance industry's leaders will undoubtedly continue to evolve and improve over time, they are far from perfect and will likely continue to remain so despite their best intentions. Just as major institutions are simultaneously engaging constructively with stakeholders on sustainability and sustainable development goals while in parallel lobbying governments for outcomes that may run counter to them, it is almost certain that many companies will for the foreseeable future continue to engage in activities (not captured by their existing ESG frameworks) that are harmful, contributing to issues like species extinction, habitat destruction, violent conflicts and human rights violations. In a complex and imperfect world, in which the definition of what constitutes 'good' is continuously evolving, the bar for being a 'force for good' cannot be perfection. Change will require an ongoing growth in awareness and continuous improvement on the issues and metrics that matter to the world.

The actions of the leaders in the industry demonstrate that the industry's largest capital pool is moving in the right direction. ESG, in the past decade has moved from a niche initiative to being universally adopted, and leaders are now increasingly moving from passive policies on ESG, sustainability and stakeholder engagement to proactive engagement, leveraging their core businesses and committing considerable resources.

Moreover, the growth and absolute scale of the engagement by industry leaders is pointing to a tipping point for the establishment of market standards in sustainability that the rest of the industry will follow. For the finance industry as a whole to become a catalyst for global change, this emerging mode of action too will need to become ubiquitous in the industry, and this will be a gradual and evolving process. For this process to be self-sustainable however, the industry will need to demonstrate not only its benefits to stakeholders and the world in general, but to shareholders and investors specifically, too.

The leaders of the industry have taken an array of steps from putting their own businesses into a more sustainable footing, to deciding what they will fund and defund and then taking leadership in the wider industry, community and world at large to do good. How well this translates into performance has an important bearing on the sustainability of their initiatives too. This is the subject of the next section. The potential contours of the resulting system and the big ideas and themes that may shape the system is the subject of the concluding section.

4. DOING GOOD DRIVES SUPERIOR PERFORMANCE

Linking Sustainability and Performance

The leaders of the finance industry have made the leap to adopting a wide range of changes to how and what they finance as well as leading ambitious initiatives to make an impact on the world's most important issues. However, for 'force for good' to be an enduring endeavor, the leaders of financial institutions and the industry as a whole will need to survive not just the inevitable setbacks and risks that come with such dramatic change, but also ensure that this strategy delivers better risk-adjusted performance consistently and over time.

Currently, performing means delivering on the traditional measures of performance (profits and value creation), which therefore take a higher weighting to metrics related to broader stakeholder returns.

The finance industry as a whole will need to ensure that their strategy for 'doing good' delivers better performance along traditional measures of performance until shareholders and stakeholders align more broadly in society ... the evidence is that it does, and the more good, the higher the return

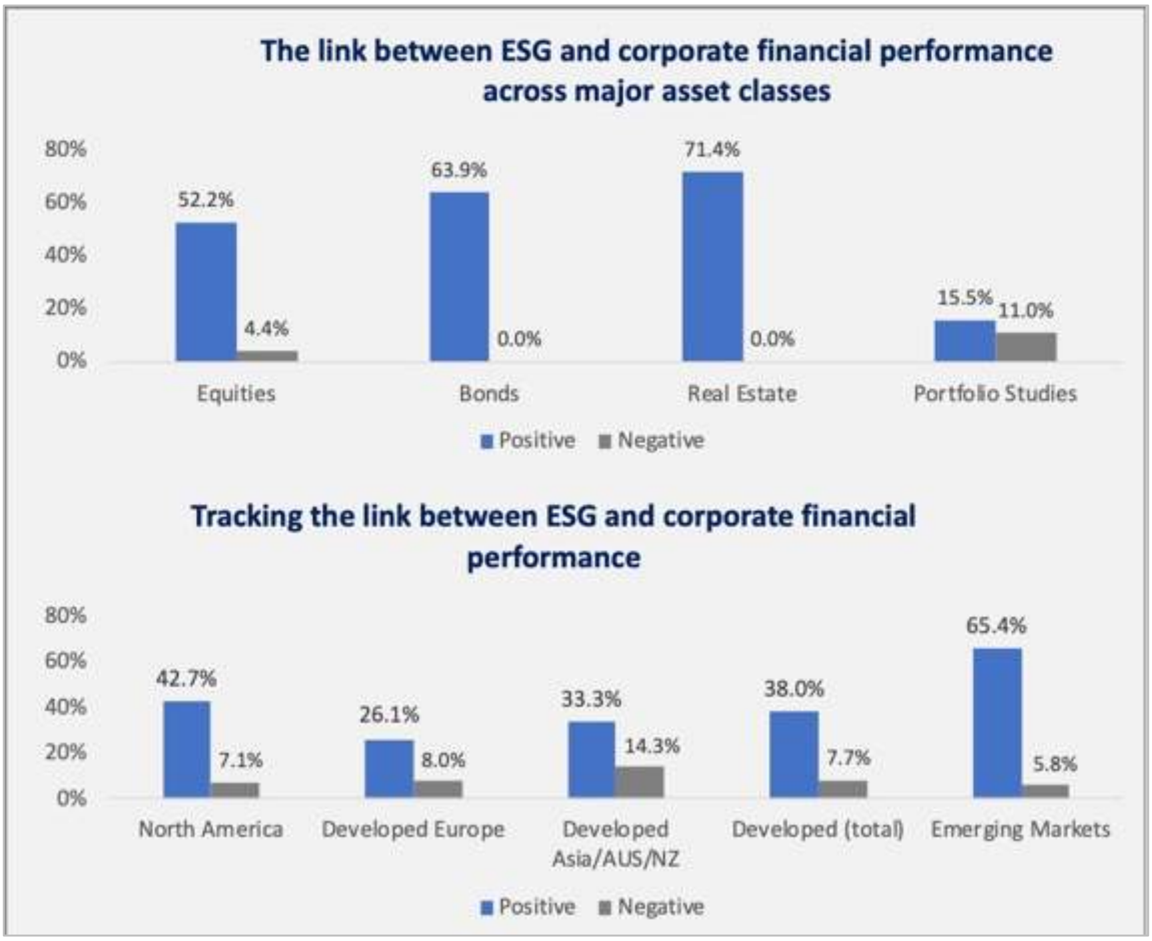
Historically, there was a perception that pursing goals other than generating financial returns imposes a performance penalty, and therefore requires some form of subsidy (e.g., grants or capital with a lower-returns threshold) for them to compete with purely commercial pursuits. There is a growing body of evidence indicating that not only does this assumption not hold, but that the reverse may in fact be true: that incorporating ESG and sustainability into businesses may actually deliver measurably better performance over time.

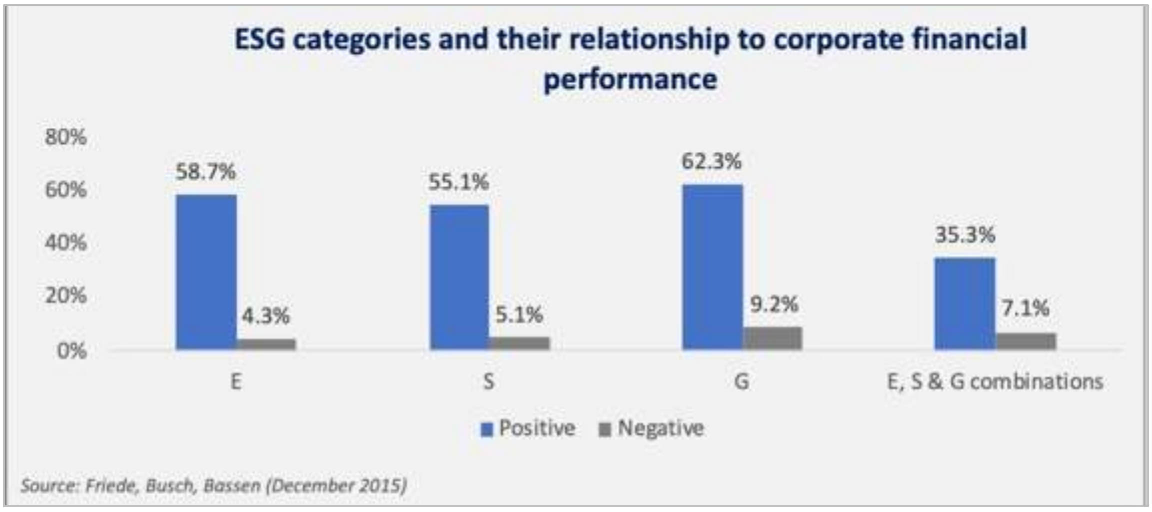
This section examines the links between sustainability and performance from external studies and the 'Force for Good' Initiative data set to analyze whether doing good can survive the judgement of the market.

1. The Core Business Case – Large Body of Evidence Clearly Suggests that ESG Linked to Performance

With a growing number of institutions (in the financial sector and others) implementing ESG policies and systems and increasing interest from both retail and institutional investors in sustainable investing strategies, there is a growing body of analysis to see what the impact on financial results might be. A meta-analysis of 2,200 empirical studies, the largest such analysis to date, found a positive correlation between ESG and performance across asset classes, across geographies, and across each of the individual ESG factors (environmental, social, and governance) individually. The study concluded that business case for ESG investing is empirically well founded."[25] Many explanations for this correlation have been proposed and examined in detail, one of the most obvious ones being closely linked to finance industry, namely the cost of capital for an organization. As stated above, the most powerful source of impact of the industry is its allocation (and withholding) of capital. With the integration of ESG criteria into investment decisions increasingly common, ESG compliant companies are finding themselves better funded at a lower cost of capital than non-compliant peers, contributing to better corporate financial performance.

Figure 4.1: The Link Between ESG and Corporate Financial Performance (Meta-analysis of 2,220 Empirical Studies)





Further, the evidence from the ‘force for good’ data set indicates a positive correlation of returns with the level of ESG engagement. Considering the members of the banking sector, representing the largest subset of companies examined (with over 50% of the entities for whom performance data is available), there is a strong positive relationship between institutions return on assets and the intensity of ESG engagement, which includes the extent to which assets are ESG integrated, the extensiveness of ESG policies implemented, the level of industry collaboration, and the breadth of community and workforce engagement. Based on this analysis, not only do companies that do good do well, companies that do more good do even better. More data is required to confirm this.

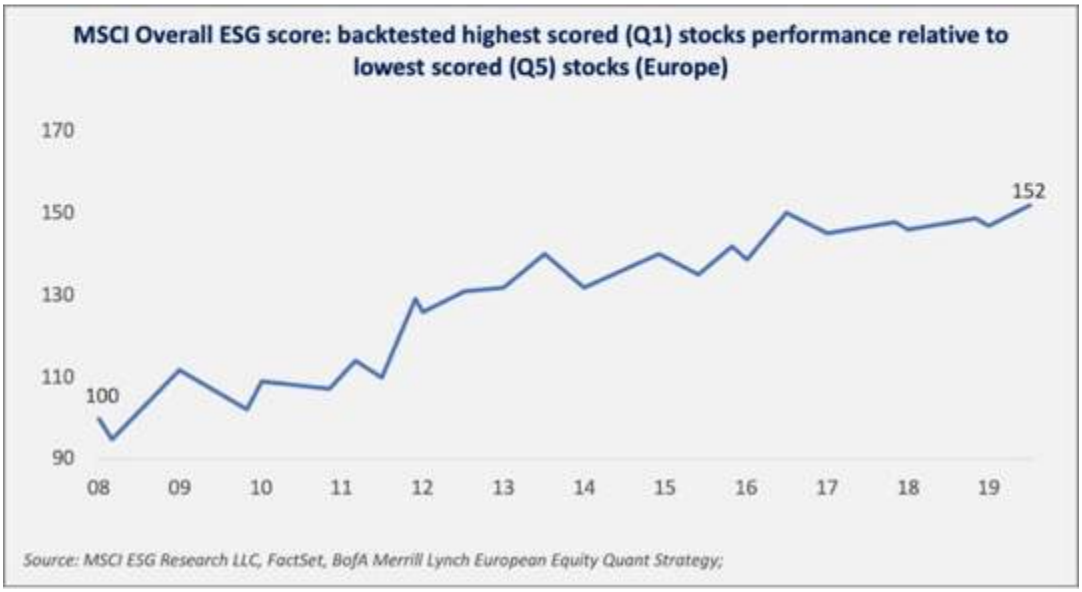
Figure 4.2: Average Return on Assets Over Last 10 Years for Banks in Analysis

2. The Investing Case – ESG and Sustainability Investing Strategies Produce Better Returns

A number of studies suggest that ESG integration is linked to investment outperformance across a number of investing strategies, whether debt, equity, or indirect investing through funds. This has been one of the drivers behind the sharp increase in ESG and sustainability focused investment products over the last several years. Some of the notable findings are:

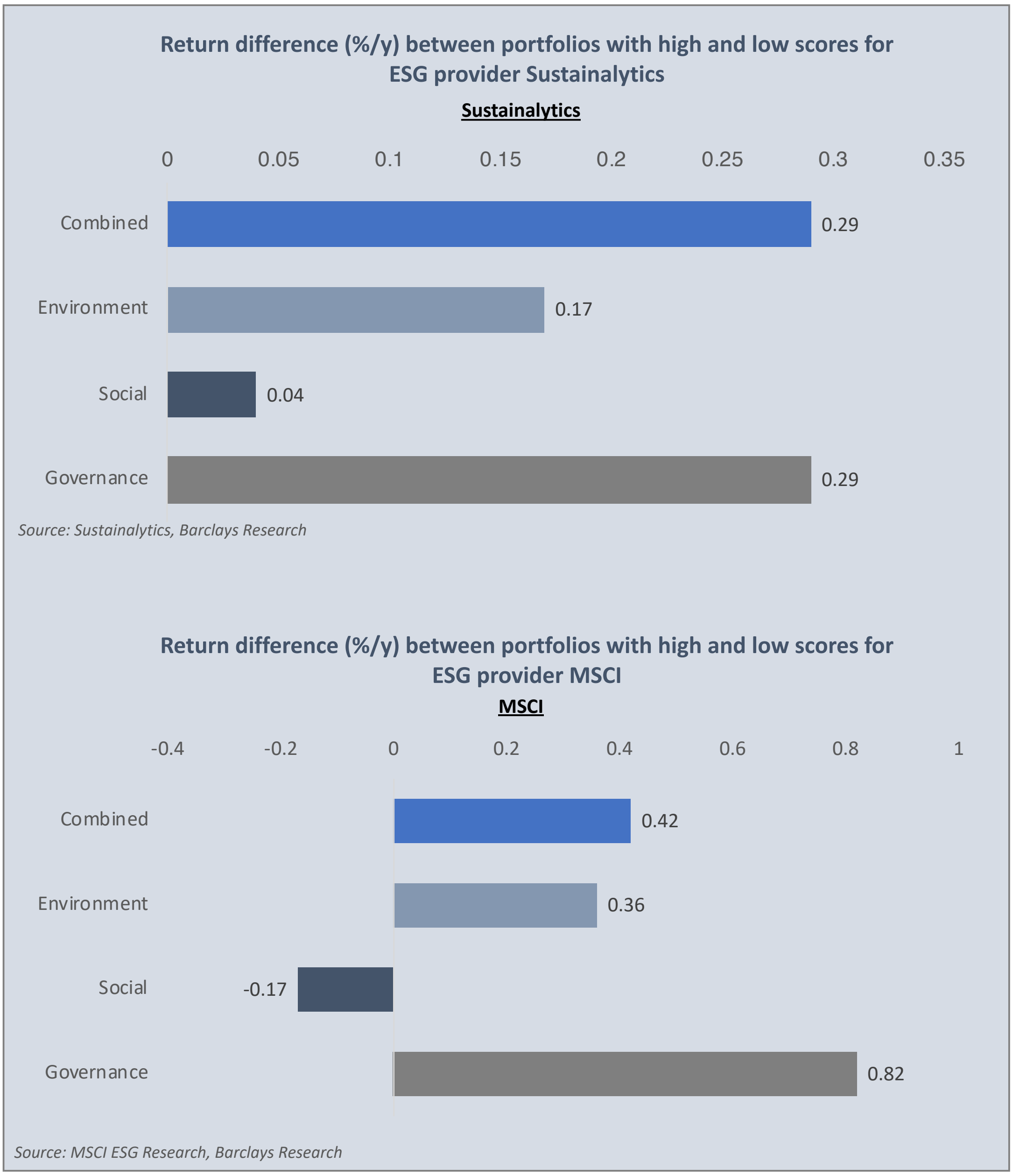
i. **ESG generates positive equity returns.** High ESG scoring companies outperform low scoring ones in terms of stock price performance. A recent analysis that compared the performance of the highest and lowest ESG ranked companies in Europe between 2007 and 2019 found that the highest-ranking group outperformed the lowest by 4% annually or by 52% in total during this period.

Figure 4.3 MSCI Overall ESG score: back tested highest scored (Q1) stocks performance relative to lowest scored (Q5) stocks (Europe)



ii. **ESG generates positive fixed income returns.** Another study examining a pool of over 5,000 bonds compared the returns of fixed income portfolios with high and low ESG rating corporate bonds over an eight-year period, finding a material uplift in the performance of bonds by high ESG rated issuers. The study found that: 'Most portfolio pairs (high-ESG minus low-ESG portfolios) delivered a positive return, indicating a generally positive return premium for the "ESG factor" in corporate bond markets.'

Figure 4.4 Return difference (%/y) between portfolios with high and low scores for ESG by provider



iii. **ESG generates positive fund returns.** A recent analysis of 745 European active sustainability funds revealed that 60% of them outperformed their traditional peers over a 10-year period, with a higher overall survivorship rate.[26] The analysis clearly concludes that “there is no performance trade-off associated with sustainable funds. In fact, a majority of sustainable funds have outperformed their traditional peers over multiple time horizons.”

Figure 4.5: Sustainable Funds Success Rate by Morningstar Category

Sustainable Funds' Success rate (%)

Category	Percentage of Sustainable Funds Outperforming Market by Asset Strategy			
	1-Year	3-Year	5-Year	10-Year
Global Large-Cap Blended Equity	75.1	73.7	76.9	67.3
Global Large-Cap Growth Equity	60.3	43.2	37.5	56.7
Global Emerging Markets Equity	41.3	60.0	58.8	50.0
US Large-Cap Blend Equity	76.4	71.4	76.9	81.3
Europe Large-Cap Blend Equity	71.1	75.0	67.2	55.1
Eurozone Large-Cap Equity	63.5	63.0	60.6	62.3
EUR Corporate Bond	58.0	58.5	62.2	33.3
All Categories	**65.6**	**65.6**	**64.4**	**58.8**

Source: Morningstar Direct, Morningstar Research, Data as of 31/12/2019

iv. **ESG reduces fund risk.** Another study examining 10,723 funds found that sustainable funds experienced 20% less downside deviation than traditional funds, at comparable levels of return. The analysis concludes that: there is no financial trade-off in the returns of sustainable funds compared to traditional funds, and they demonstrate lower downside risk."[27]

Figure 4.6: Median downside deviation of Sustainable and Traditional Funds 2004-2018

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sustainable Funds	-3.86	-3.52	-4.14	-3.66	-5.83	-5.03	-4.44	-6.66	-4.80	-5.32	-5.80	-5.14	-6.15	-3.47	-6.24
Traditional Funds	-4.29	-4.16	-4.82	-4.12	-6.43	-5.87	-4.79	-6.88	-5.02	-5.66	-6.30	-6.96	-6.96	-4.59	-7.56
Difference (Sustainable – Traditional)	0.43	0.64	0.68	0.46	0.60	0.84	0.35	0.22	0.22	0.34	0.51	1.82	0.80	1.11	1.32
Statistical Significance	95%+	90%+	95%+	95%+	90%+	95%+	95%+		99%+	95%+	99%+	99%+	99%+	99%+	99%+

Source: Morgan Stanley Analysis of Morningstar Data

Returning to the evidence from the 'force for good' data set, the level of ESG engagement conducted is also positively correlated with shareholder returns. Reexamining the over 20 listed banks in the data set, the intensity of ESG engagement appears to be closely tied to their generation of 10-year total shareholder returns, pointing to the value of investors not only screening for ESG compliance but also for proactively measuring ESG activity and performance as a potential indicator of future returns generation.

Figure 4.7: Total 10 Year Shareholder Returns for Banks in Analysis

Needless to say, there are many factors at play here. How sustainability and ESG investing strategies translate into an investor's overall performance is of course a function of the individual strategies and processes employed. How and what one filters, what positive screening factors one prioritizes, whether one employs active or passive ESG monitoring, will all naturally impact an investor's performance within a given asset class and fundamental strategy, and more. The overall business case for investing in ESG though is clear. Finance institutions who embrace ESG strategies therefore have the potential to benefit doubly, firstly through implementing ESG in its own operations and secondly through generating higher returns from adopting ESG investing strategies.

3. The 'Force for Good at Scale' Case – Being a 'Force for Good' Produces Superior Returns

While each of the leading financial institutions examined in this study is a leader in its country, asset class and among the leaders in the world in finance, there are some important differences between them that can be tested for performance implications, these are broadly based on their level of maturity of their development and their impact, and include:

I. **Commitment and quality of approach to ESG, sustainability and stakeholders**. Determines whether these initiatives as a whole are mission-centric to the organization, strategic and values based. CEO level leadership and senior management oversight are good indicators of intentions, as are actual funds contributed to initiatives, 'putting your money where your mouth is.'

II. **Level of integration and alignment of the organization to be and do 'good'**. Determines to what extent 'force for good' initiatives are integrated into the organization. Integrating sustainable processes, projects and resources into core business lines leads to much greater results than centrally managed initiatives that remain discrete from revenue centers.

III. **Quality of adaptation, innovation, and skill in designing product, process and business for changes in the external environment.** Determines how effective or transformational the organization is likely to be in terms of its 'force for good' initiatives. Companies developing new products and services or pioneering new approaches clearly have a greater potential for impact than do companies which adopt tried and tested initiatives that are becoming industry standards.

IV. **Scale and scope of ambition in positioning the organization at the intersection of big issues, big ideas and capital.** Determines the absolute impact the organization is likely to have on the world. Clearly size matters in this respect, but without an equally large ambition for change and the commitment to execute, scale alone cannot solve big issues.

V. **Influencing changes in the global system of capital.** Determines whether an organization is contributing actively to changes in the global economic system. At the highest level this would capture companies mobilizing resources and marshalling allies to address the root causes of challenges by changing the way the systems operate.

The financial institutions considered differ in their approach to being a 'force for good', being predominantly one of strategic, tactical, or operational, leading to different levels of overall impact. Using their disclosed ESG, sustainability and stakeholder initiatives to assess the five criteria above, the companies in the data set have been classified as either 'highest impact', 'established impact' and 'emerging impact'. This analysis necessarily places the companies into categories evaluating them broadly and qualitatively rather than through a set of prescriptive rules or through numerical analysis.

i. The performance variance in terms of shareholder returns generation for the 35 publicly listed companies in each group is significant. An analysis of the median 10-year total shareholder returns for the group benchmarked against a returns index (the MSCI All World Financial Index) shows that the public finance industry leaders acting as a 'force for good' as a group have outperformed the wider industry by 24%, generating median total shareholder returns of 54% over the ten-year period.

ii. Within the leadership group, the organizations classed as predominantly having an 'emerging impact' outperformed the index by 10%. However, they showed the lowest level of returns within the leadership group, generating total shareholder returns of 40% over a ten-year period.

iii. Companies classed in the predominantly 'established impact' group outperformed the index group by 33%, generating total shareholder returns of 63% over the ten-year period.

iv. Companies classed in the highest tier of predominantly 'highest impact' showed the most significant outperformance of 86% against the index. Importantly, they generated the highest returns in the leadership group with total shareholder returns of 116% over a ten-year period.

Figure 4.8 Total Shareholder Returns of Force for Good Companies

It is important to point out of course that the data sets of companies are both small and skewed in terms of selection bias. This report has explicitly focused on industry leaders across a range of subsectors and geographies, ensuring that the 'force for good' organizations will be significantly larger than the global benchmark, and in many cases more profitable, more diversified, more stable and better managed as well. In the absence of more comprehensive analysis using larger data sets it is difficult to isolate the impact of 'force for good' initiatives from these other factors in terms of their impact on shareholder returns.

Overall, the evidence suggests a positive business case for being a 'force for good' and by extension for pursuing the SDGs, which offer potentially significant economic rewards— through new markets, investment opportunities and innovations — as well as reduce risk to business performance and stability over the long term. This intuitively makes sense since there seems to be a tendency for organizations that learn to exert outsized influence, innovation and impact in the broader environment bring those same skills home to their core business and are more likely to succeed compared to those that have only focused on business as usual. There are bound to be costs if these are done in a manner that is disconnected from the core business and where the competences and spirit of breaking boundaries are not utilized, leading to diseconomies and distractions that damage the business. However, for astute leaders that manage the process of selecting where to make their impact and of learning and incorporating these skills well into their business, the benefits of being bold in making an impact seem to be substantial and for which there are no better training ground for organizational development.

The subject of performance is critical to the finance industry and the industry does not forget that, if it is to meet its core mandate and allow those of its stakeholders who need returns to value them, it must deliver. A much more comprehensive and definitive analysis over and above the high level

one above is required, given the small number of companies in this analysis. However, directionally the analysis points to a strong correlation between being a 'force for good', as defined in this report, and financial performance. This makes sense in the context of the factors that differentiate the higher performers from others, that are also leaders, regarding the *level of maturity of their development*. Given this, the growing belief that self-interest and community interest are not just aligned but one and the same thing is likely to be an enduring one, driving a self-reinforcing and sustainable cycle of more proactive engagement as a driver of improving financial and investment performance in the industry as a whole.

Methodology and Important Notes:

5. *The ten-year total shareholder return (TSR), calculated as the change in the stock price and cumulative dividends paid per share for ten year period from 30th October 2010 until 30th October 2020, has been calculated for all publicly listed institutions in the analysis (however excluding those institutions which became listed in the last 10 years)*
6. *This has been compared to the total gross returns on the MSCI All Country World Index (ACWI) for Financials for the period from 30th October 2010 to 30th October 2020*
7. *As noted above, companies in the analysis have been classified in one of the three categories of 'Force for Good'.*
8. *The median TSR for each of the three categories, and for all the institutions in the analysis is then compared to the 10-year returns for the MSCI ACWI Financials Index.*

5. CAPITAL IS SET TO BECOME A CONSCIOUS ‘FORCE FOR GOOD’

The idea of the finance industry becoming a force for good is a powerful one, and the business of being good, doing good and leading for good makes it actionable. The ways in which the industry is doing this are becoming increasingly clear. That this is a journey, and it has begun in earnest, is not in doubt. The stakes for the world are high given the extreme challenges we face and given the financial system’s role in addressing key issues throughout all civilizations in history, the finance industry and its leaders are a critical force in the world. Although there is very far to go for not just this industry but for all stakeholders, this report has found that the leaders of the finance industry have made important foundational changes, are making even greater changes and the strongest and boldest among them are becoming leaders, and not just of finance.

The Common Ground Among Leaders in the Finance Industry Sets a High Bar for Others

The Bar for Leadership is High. The emerging common ground among the leading financial institutions across the world sets a high bar for others in the industry. Given that the industry leaders in the data set are among the largest and most visible in the industry, and that many are publicly listed with significant disclosure requirements regarding their business activities, they will likely be more advanced in their engagement as a force for good than the rest of the industry. If others are motivated to catch up, and the industry has always shown signs of doing so, the leaders’ actions and engagement have the potential to catalyze fundamental change in the industry and, more fundamentally, in capitalism itself to adapts to changes in the world around it. The industry’s continued resilience throughout history has been driven by its adaptability, indicating that such change is possible.

A Definition of What it Means to Be a `Force for Good' is Emerging. Leading institutions are setting the standard for the finance industry's engagement on critical issues. Through their collective actions – adopting policies, practices and actions that promote environmental, social and governance factors into how they do business and what they choose to finance; financing sustainability, using the SDGs increasingly as their benchmark, and embracing wider stakeholders, including the community and employees, as their core mandate and responsibility – a definition of what it means to be a 'force for good' is emerging.

Call for Change Beyond the Industry Leaders. The ongoing shift in strategic priorities is being driven by both external and internal drivers, with companies both responding to the pressures of the environment they operate in, as well as proactively initiating change as a result of their increased awareness. Whatever their driver, the shift in priorities and the changes they result in are profound and will inevitably lead to wider changes in the industry as a whole. Any participant that wishes to be resilient in this highly competitive industry will not be able to resist this call for change. Those that might begin by merely "ticking the boxes" will inevitably be held accountable by their people, their customers, their peers, and by the community at large and so will eventually embrace change.

Pushing Beyond the Common Ground. Any industry participant that seeks to play a significant role in the industry will find the common ground staked out by leaders to be the threshold they have to cross and progress beyond, in an environment where the leaders themselves, driven by stakeholder demands, competition, the performance benefits and increasingly their own values, will not be standing still.

Doing Good Leads to Superior Performance. Finance industry leaders that embrace acting as a 'force for good' also enjoy superior performance relative to the market, their industry and even their less-active peers, generating superior returns for their shareholders. Companies that have widened their priorities from shareholders to stakeholders are robustly demonstrating that value is not a finite commodity allocated between stakeholders in a zero-sum game, but one that can be grown for all in a virtuous circle that seeks to address each stakeholders' needs.

Companies operating predominantly in the highest tier, 'leading for good', showed the most significant outperformance of 86% against the index, generating total shareholder returns of 116%.

Leaders in the Industry are Breaking New Ground to Address Issues, Create Opportunities and Change the World

Setting Priorities to Fund Change. Throughout history, the finance industry has funded change. With few exceptions, they have done so within a mandate of allocating capital to maximize narrowly defined risk-adjusted returns. In today's era of discontinuous change and its rising demands for everyone to step up to do their part to create a sustainable system of enterprise for the world, the industry and its leaders have begun to answer this call and are initiating potentially ground-breaking actions in terms of scope and/or scale that can catalyze further long-term change.

Defining the Goal. For a system of enterprise to be fundamentally sustainable, it would need to holistically incorporate several critical features: First, it would need to deliver increasing prosperity to the world, not just to the 7.8 billion people alive today but to the billions of people being added in the decades to come as well. Secondly, it would need to be sustainable in terms of the resource used and its impact on the environment, implying the overwhelming use of renewables to achieve net zero or near net zero use of finite resources as well as net zero emissions. Thirdly it would need to be inclusive in terms of opportunities and equitable in terms of outcomes, ensuring that everybody can participate, contribute, and benefit.

Charting the Course. How to develop and integrate these features without breaking the system is the conundrum. One path to doing so lies in changes in the values that run through the system so that participants no longer link consumerism with happiness and the rest of the system with supplying that. Such a change would fundamentally reset the system but requires the simultaneous and collective buy-in of every participant and is therefore unlikely to happen without a massive change in global awareness. A series of incremental changes to the system over time can cumulatively lead to the same place without requiring the coordination of every actor and without creating the massive disruptions brought about by sudden change. Steps like accurately pricing externalities – both positive and negative – and defining norms for managing common goods and adopting alternative sources of energy and resources can bring about systemic change in an organic fashion that realigns interests and allows parties to adapt. For these holistic changes to take root in the system of course requires a critical mass of participants, or a critical mass of power, to insist on their adoption as well as harmonized measures to compare investment contribution to the SDGs and ESG.

For holistic changes to take root requires a critical mass of the many participants in the global economy, or a critical mass of powerful ones, to insist on their adoption and a critical mass of the leading financial institutions seem ready to act as role models and catalysts

Industry Leaders Showing the Way. The global finance industry has the critical mass of power required to initiate sustainable long-term changes and the industry's most dynamic, scaled global institutions are leading the way for the industry. They have realized the value of this shift and their initiatives speak to this growing awareness. Their initiatives are growing in scope and scale and are changing the way finance works and what gets financed as a critical step for longer-term change. They are addressing issues of importance to their stakeholders and the most ambitious of the leaders in the finance industry are addressing the most pressing issues and opportunities of society, locally and globally. Importantly, the definition of 'we' has changed from the organization and its people to encompass the planet and those left behind.

Evolving into a New Species. The experience of making a difference in society is one that teaches invaluable skills and emboldens an organization to develop its core business in ways that it could not do if its model was to be 'sitting at home' doing the regular business. The journey itself is transformative ultimately creating an insurmountable gap between those that learn to change the world at large for good and the rest. In terms of their

The journey itself is transformative … in terms of their organizational DNA, scale impact organizations are not only a force for good, they are the beginning of a new species organizational DNA, impact organizations are not only a force for good, they are also the beginning of a new species.

There are three important implications of the changes, firstly, a de facto standard is emerging for what leadership means for the finance industry and the success factors for being an industry leader involve a broader focus on the world's major issues, secondly, a tipping point has been reached since the direction of travel is unlikely to be reversed, there being no reason to do so and, thirdly, the self-sustaining growth of these initiatives over time suggests systemic changes in how and where capital is allocated and how returns are measured and so ultimately rewarded.

The Direction of Change is Clear and Set to Change the World for Good

The cumulative and collective actions of finance industry leaders as they reposition their organizations to increasingly act as a 'force for good' in the world provides foresights into a series of mega-trends, big ideas and themes, with the potential to reshape not just the financial system, but the wider system of capitalism, and the shape of the world over the coming decades at a historic time that sees the world in a transition of civilizations.

1. Beyond Money, Leading Change in the World

Finance industry leaders' current direct initiatives already aim to create international institutions working alongside organizations like the World Bank, drive mass inclusion to address structural poverty, regenerate impoverished cities, restore ecosystems and address racial equity in their communities. The scope of actions being taken makes such institutions leaders in society as a whole, beyond finance, assuming a broader role in the global community. The example being set by leaders in the finance industry will be embraced by leaders in other industries who will seek to address major global issues suited to their industries, and we should expect to see healthcare leaders tackling healthcare inclusion, food companies tackling hunger, and media and technology companies tackling education and illiteracy on a global stage in the future.

Financiers aim to create international institutions like the World Bank, drive mass inclusion to address structural poverty, regenerate impoverished cities, restore ecosystems and address racial equity in their communities

2. Collective Action Across All Boundaries

Transnational organizations like the UN, World Bank, WTO have established a system of global rules and the principle of leadership through collective action. Having long embraced this principle for the purpose of self-regulation and the organization of markets and transactions, the finance industry is also collaborating with transnational organizations on major objectives like climate change and the SDGs. This engagement with the UN and others has prepared the leaders of the finance industry to work collectively on major issues beyond finance and to do so across national boundaries. This experience places every major world issue on the potential agenda for the industry to consider as a cause for collective action leveraging its commitment, capital and relationships. The future is set for collaboration across all boundaries.

Engagement with the UN and others has prepared the leaders of the finance industry to work collectively on major issues beyond finance and to do so across national boundaries

3. Capitalism Revitalizes Through Every Stakeholder's Choices

The success of today's capitalist system has resulted from the alignment of manufacturers, resource businesses, trade organizations, governments, entrepreneurs and scientists on delivering product to the consumer in every corner of the world. However, this inevitably leads to the harvesting of the planet and its resources, with everyone being both a participant in and a contributor to this system. Financiers are only one player within this system and cannot be held accountable for the actions of others. Addressing the issues built into the system will require each participant to make different choices: for example, the consumer choosing to buy only from businesses that 'do good', manufacturers adopting sustainable processes, and financiers only funding those that do no harm and indeed do good. The finance industry has made the leap and with its control over 90% of the net liquid assets in the system, it is an effective catalyst for systemic changes to the way capital is allocated and therefore used in the world. The other participants are also pursuing their own initiatives and these all lead to the transformation of the system. Other participants, consumers and business owners need comprehensive, comparable and harmonized measures of being, doing and leading for good to be able to do their part.

Responsible financing is being adopted in ways that are ambitious enough to aim at reversing the harvesting of the planet and its resources

4. Financing the SDGs

Financing the SDGs by 2030 in developing countries is expected to require up to US$5-7 trillion over the next ten years, with an annual funding gap of US$2.5 trillion.[28] However, the coronavirus pandemic has demonstrated that there is no shortage of additional capital available for the right issues; with US$15 trillion[29] committed to the global economic recovery by governments in less than six months. With the leaders of the finance industry showing a growing awareness of the importance of the SDGs, a path to funding the achievement of the SDG goals becomes increasingly visible, with UNCTAD having mapped out the current gaps, such as closing the business model gap for specific SDGs to secure necessary capital as well as the challenge of getting this capital into developing regions with the largest gap to close to achieve the SDGs.[30] Closing the funding gap and coordinating spending to allocate capital to where it is most needed requires a new plan and tighter mechanisms to co-opt the energies of the finance industry as a whole.

With US$15 trillion mobilized to support the global economy during the current pandemic, the path to financing the SDGs can now be envisaged

5. Carbon Defunded, Alternatives Funded, Energy Transition Supported

Our industrial economy is built on carbon energy sources. Carbon energy's functional properties and economics have underpinned the level of prosperity the world enjoys today. To go beyond the current level of achievement of humankind – particularly considering the addition of c.2.0[31] billion people to the global population by the middle of the century – will require a cheaper, cleaner and more abundant energy source. While it is uncertain what this new energy source will be, what is certain is that the transition is underway. The finance industry is prioritizing a growing number of initiatives related to reducing carbon including new energy. These include plans to defund industries contributing to carbon based pollution, reduce or freeze investments for fossil fuels and to fund alternatives and renewables to achieve global carbon neutrality.

Adding 2 billion people to the planet by 2050 requires a breakthrough in energy science as profound as moving from steam to oil

6. Creating Mass Inclusion, In the Developed World Too

Capitalism's successes in generating wealth have not reached enough people and so have seen divisions arise and be exploited within nations and across the world, driving protest and conflict, mass migrations, and political populism. Housing inclusion is an issue for more than 20% of the world's population who lack adequate housing[32]. Quality healthcare coverage remains a global issue with half the world lacking access to adequate healthcare and significant populations uninsured or under-insured, while educational inclusion is an issue for 43% of the population having no higher (tertiary) education in the most educated countries, while 14% of the world is illiterate.[33] Without these challenges being solved, the world can expect more severe disruption, and inclusion has therefore emerged as a high priority by the overwhelming majority of (88%) finance industry leaders. The future sees those 'with' solving for those 'without' if there is to be peace within nations and across them.

An estimated ¾ of the world's population are not active participants in the banking system … the future sees those 'with' solving for those 'without' for peace within nations and across them and for the common good

7. The Democratization of Finance

It is estimated that three quarters of the world's population are still not active participants in the banking system, [34] a problem that extends to developing and developed countries alike with 71m[35] households in the United States unbanked. Technology provides the means to drive mass financial inclusion globally in the coming decade, as technology reduces the cost of acquiring an incremental customer to nearly zero and financial institutions increasingly factor in positive externalities to determine the value of a new customer. Finance and financial services will be increasingly democratized, decentralized and personalized as a result of technological innovation and network technology that will eliminate intermediaries and governing agencies that provide insufficient value in key areas of financial services. Clearly there are hurdles to be overcome for digital finance, including security challenges, questions of standards and governance and the need to create mass digital literacy to enable inclusion. Solving these challenges will be a priority and the companies that do so stand to become the future leaders of the industry driving the democratization of finance.

Finance will be increasingly democratized, decentralized and personalized as a result of technological innovation and network technology

8. Post Crisis Capitalism: A Holistic Sustainable Approach

The coronavirus pandemic has upended the world's understanding of the resilience and risk of countries, triggering an unprecedented health and economic crisis that has found many of the world's leading nations wanting. However, it has also raised awareness of many of the social challenges facing the world and in response has triggered the explosive growth of products like social bonds to address them. Further, the global response to the pandemic has also pointed to the possible transformation of the world through environmental regeneration, a rethinking of urbanization and work, global digital participation in education, payments and healthcare, and a new approach to healthcare and the development of medicines among many other changes. As part of this transformation, the changes in the operating models of leading financial institutions, which this study shows, are already incorporating practices that respect the environment, social needs and governance, sustainability and stakeholders and so hold the possibility of a fundamental change in values that embody mindful action, caring and compassion, as part of a broader shift in global awareness and consciousness. For instance, if the more than US$15 trillion[36] in COVID-related stimulus were allocated to SDGs sectors, it would greatly accelerate their implementation.

> *The pandemic has brought misery and has also been an oracle pointing to the transformation of the world through environmental regeneration, a rethinking of urbanization and work, global digital participation in education, payments and healthcare, and a new approach to healthcare and medicines backed by government*

9. Funding the Future

The future, beyond solving the many issues facing the world, also needs to be financed, now. This includes financing the foundations for the next part of man's journey including great innovations that change the scale, reach of humanity and its civilization. This includes financing nearer-term rapidly developing technologies like artificial intelligence, which is becoming increasingly pervasive in every aspect of modern life, and energy innovations to improve energy efficiency and sustainability, as well as research into long-term innovations in material sciences, synthetic biology and space travel that will reshape humanity's footprint on the planet and beyond it, opening up new commercial opportunities and leading to a new wave of transformative innovation. The lessons being learned by the finance industry in addressing sustainability and leading as a 'force for good' in society and the world are building the skills, innovation and risk management capabilities needed to develop financing solutions that accurately consider and allocate risk and reward for this innovation funding, ensuring the availability of sufficient capital for the next stage in the journey for the world.

> *Solving today's problems is the essential step that is being taken to financing the future and the great innovations that will change the scale and reach of humanity and its civilization*

These emerging trends, ideas and themes point to profound changes. They are indicative of a finance industry that, from the top of the industry, while continuing to run its current markets driven businesses, is also maturing and adapting to reinvent itself. While the initiatives to date, as bold and ambitious as they are, are at an early stage of the industry's evolution, the industry has set in motion changes that that will change its self-conception. Given the world is in the throes of a disruptive series of challenges, there is much further to go in what will ultimately be a transformation to enable capital to play its essential role in the creation of a new civilization, but there is strong evidence to believe that this is exactly where we are headed.

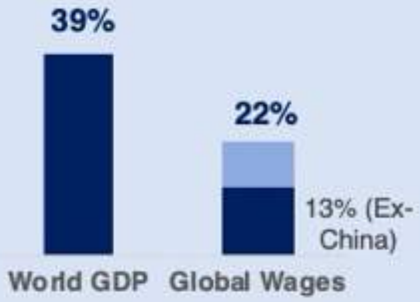
SUMMARY INFOGRAPHICS

The Challenge of Change

(1 / 2)

1 Global growth has been unevenly distributed accompanied by rising inequality

Cumulative Real Growth (2008-2017)



Share of Global Wealth (2018)

Top 25%

90%

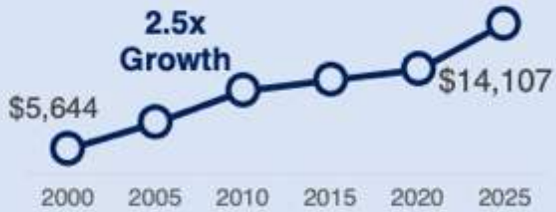
Bottom 75%

10%

Sources: IMF, ILO, UN

2 Technology has driven productivity gains and displaced traditional jobs

Nominal Global Per Capita GDP



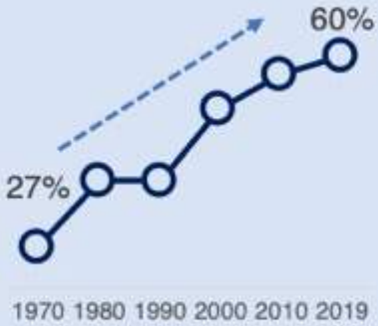
85 million

Potential Number of Jobs Displaced by Automation by 2025

Sources: IMF, World Economic Forum

3 Globalisation has driven economic integration but also domestic jobs losses

Global Trade (% of GDP)



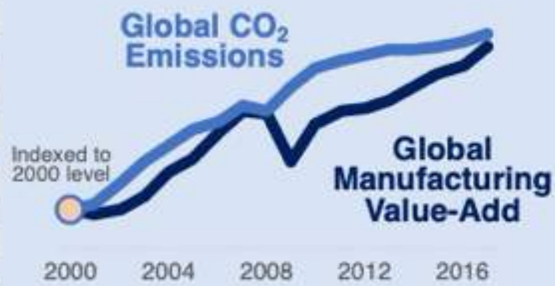
Domestic Job Losses

5 million

Net Losses of Manufacturing Jobs in the United States Since 1997

Sources: World Bank, EPI analysis of Bureau of Labor Statistics (BLS) data

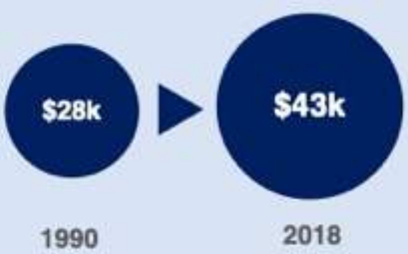
4 Industrialisation lifted people out of poverty and raised climate change



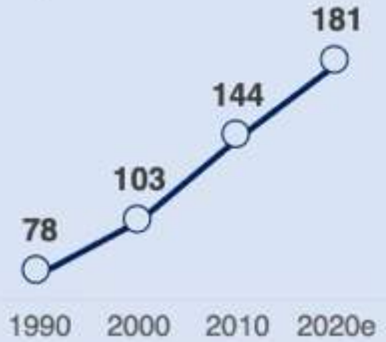
Sources: World Bank, Global Carbon Project

5 Prosperity grew overall but not evenly distributed

Absolute Gap between the Mean per Capita Incomes of High- and Low-Income Countries



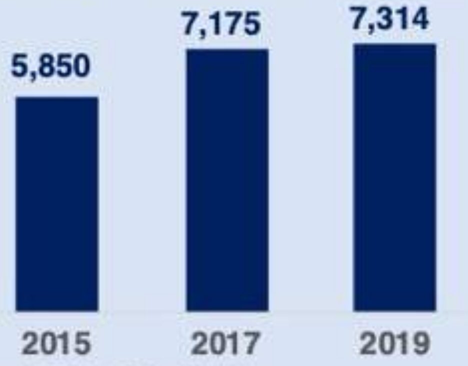
Number of International Migrants to High Income Countries (million)[1]



Sources: International Migration Report; Note: 1) 2020 number of international migrants calculated by applying 2010-19 growth rate of 2.8% to to 176 million migrants in 2019

6 Rising legitimacy of hate as a political weapon

US Hate Crime Incidents (2015-19)



Sources: FBI Hate Crime Statistics

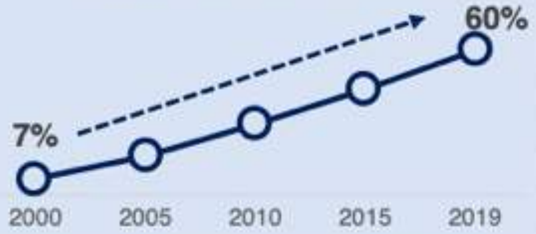
The Challenge of Change

(2/2)

7 Increasing digitisation and connectivity of everyone with

a … significantly increasing vulnerability to asymmetric cyber threats

Global Internet Penetration



Cybercrimes Reported (US$ million)

$0.5 billion (2009) ▶ $3.5 billion (2019)

Sources: Internet LiveStats, IC3

b … increasing misinformation

Trust in Traditional Media
(among Republicans)

Sources: Gallup (US poll in 2020)

c … continuing education imbalances

617 million

Children and Adolescents Globally Not Achieving Minimum Proficiency Learning Levels

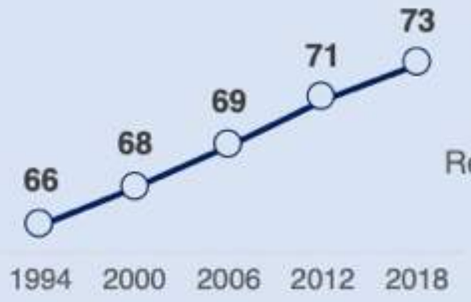
38%

Global Tertiary Education Enrolment Ratio (2019)

Sources: UNESCO, World Bank

8 Longevity up and mortality down….but half the world lacks access to essential health services

Life Expectancy at Birth (Years)



3.8 billion

People Globally Do Not Receive the Essential Health Services They Need

Sources: World Bank, WHO

9 Persistent Global Gender Inequality

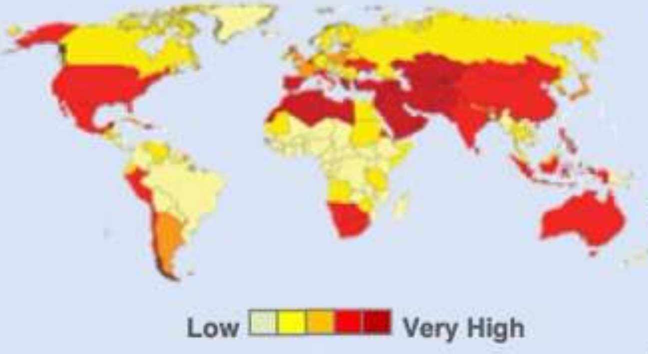
108 Years

Number of Years it will take at the Current Rate of Progress to Reach Gender Parity

Sources: World Economic Forum

10 Increased water scarcity leading to food stress

Water Stress in 2040



By 2025

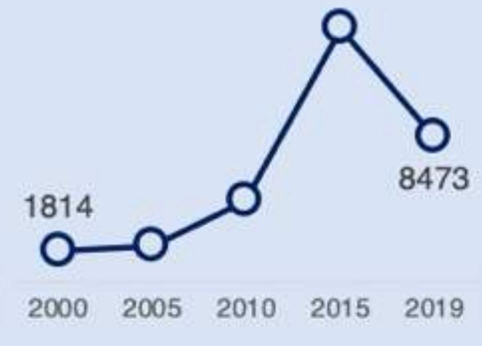
2/3rd of world in "stress" conditions

1.8 billion People in "absolute" water scarcity

Sources: FAO, Water Resources Institute

11 Cross-border terrorism increasing

Number of Terrorism Incidents Worldwide



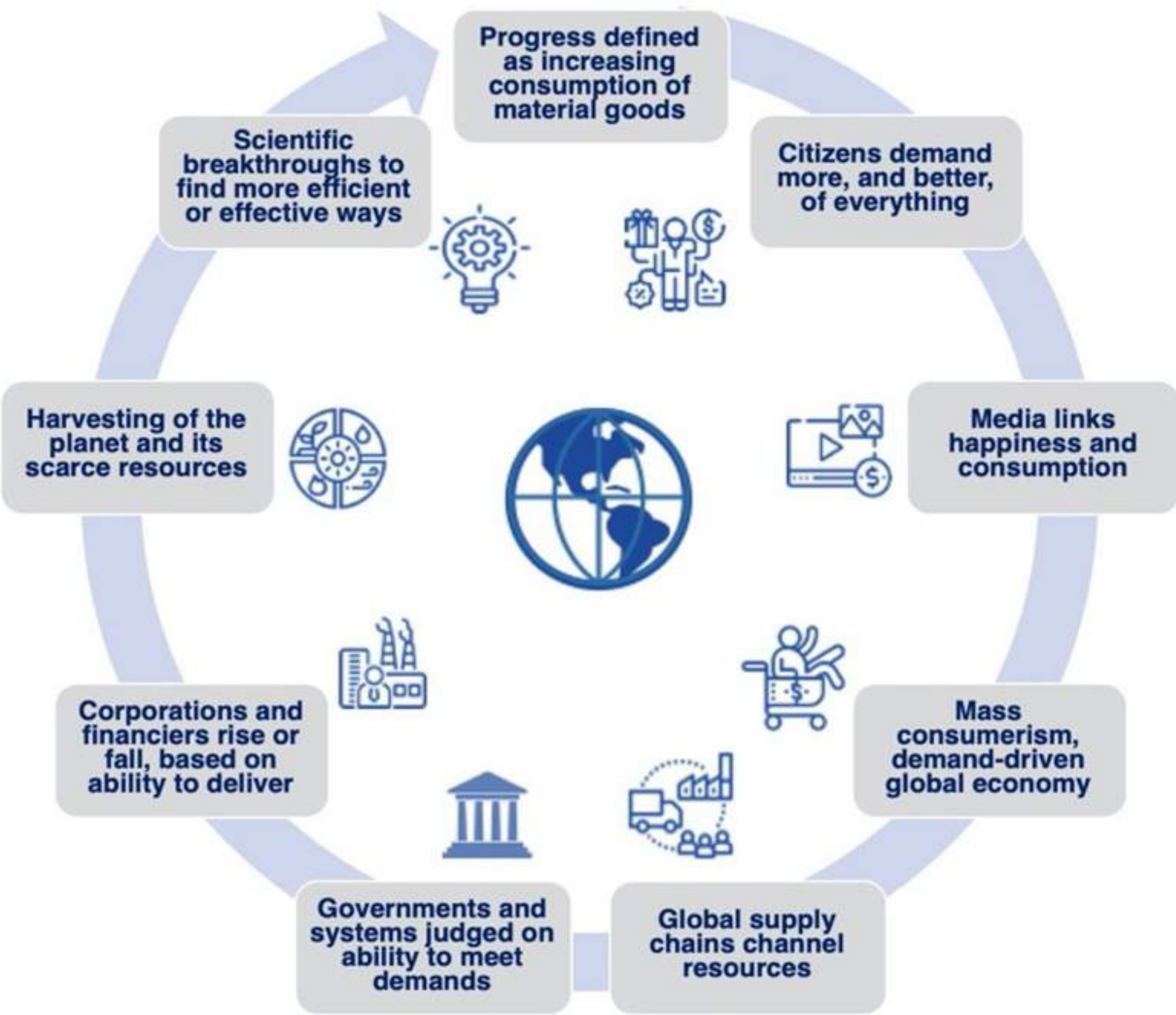
Sources: Global Terrorism Database

The Challenge of Change

Consumption-Led Capitalism

Cause and Effect

Capitalism stands **unrivalled in the delivery of global wealth creation**, how that wealth is distributed being a matter for governments



However, the **inequality of its distribution** and the **consequent damage to the planet** has led to a **widespread and growing backlash**

The Finance Industry as a 'Force for Good'

Analysis Framework

The Question

Is the finance industry becoming a force for good and an agent of systemic change?

The Framework

The financial industry is changing across **three key dimensions**, with a **common ground established** amongst leaders, suggesting a large-scale behavioural shift…

…Industry leaders are also **delivering impact through scaled initiatives** to address critical global issues and thereby **becoming affective agents of systems change**

The Dataset

63 leading global financial institutions representing **US$102 trillion (c.29%) of global assets**

The Common Ground

Mindful Conduct

ESG and the Business of Doing Good

ESG is moving from policy to practice for leaders in the financial industry …

100% of firms have implemented ESG policies and report regularly to shareholders

66% of firms measure and report detailed ESG metrics and performance indicators

60% of firms apply ESG criteria to ***all*** loans and investments

ESG exclusions are helping to phase out financing for activities they deem harmful ...

Production and Sale of Tobacco	52%
Thermal Coal Mines & Power Plants	48%
Civilian Firearms	42%
Fracking and Oil Sands Development	35%

Percentages of financial firms that either prohibit, or permit with significant restrictions, financing for business activity

A wide range of ESG factors are being considered in core business and investment decisions …

Climate Change	98%
Human Rights	92%
Data Privacy	75%
Health & Safety	73%
Diversity & Inclusion	86%
Pollution	54%

Percentages of financial firms that consider criteria in decisions

Various multi-stakeholder international collaborations are driving the shift…

PRI · United Nations Global Compact · UNEP Finance Initiative · Equator Principles · the Wolfsberg Group

The Common Ground

Caring for the Planet

Finance as a Driver of a Sustainable World

The financial industry has become a champion of the United Nations Sustainable Development Goals…

55-90% have an explicit focus on **7 of the 17 SDGs priorities**

Inclusion Initiatives

$700 million	Investment in non-profit community hospitals
$1.4 billion	Investment in public education (K-12, college)
37%	Of senior-level jobs held by women

Climate Initiatives

$13 billion	Sustainable buildings and transport financed
20% reduction	in CO_2 emissions from real estate portfolio
42m tonnes	CO_2 emissions avoided through fund

Illustrative SDG initiatives by individual active participants

73% of the Leading Financial Institutions Support Environmental Sustainability Financing

$245 billion Capital Mobilised for Clean Energy Financing Initiatives in 2019

(In US$ billion)

The industry is working together to define common standards and collectively achieve key objectives…

TCFD Task Force on Climate-Related Financial Disclosures · CDP · The Green Bond Principles · Climate Action 100+ · IIGCC The Institutional Investors Group on Climate Change

The Common Ground

Compassion for All

Caring for Employees, Communities and Other Stakeholders

The industry has broadened *and* deepened its engagement with various stakeholders…

Employees

Total Employees

3.3 million

~59k / firm avg.

70-100%

of firms have diversity and inclusion programs and policies prohibiting discrimination

Women Empowerment

49% of total work force are women

32% of the board members are women

73%

of firms provide employee wellness, mental health or mindfulness programs

Communities

$1.4bn Total CSR Spend (0.1% of Revenue)

Illustrative Examples

~$200m invested in job skills building initiative

~$125m investment in low-income communities

~$600k people globally provided quality care

Other Stakeholders

Illustrative Engagement Initiatives

Government & Regulators

- Ongoing dialogue with regulators and policymakers on policies to address key issues

Private Sector Peers

- Partnerships with technology companies to drive financial inclusion
- Collaborations with industry peers to define common standards & frameworks

Customers

- Helping customers integrate ESG and sustainability practices

The Finance Industry Supporting the SDGs

$102 trillion — **Assets that have publicly-committed** to ESG, and implemented policies

$88 trillion — **Assets that use 'ESG Exclusion Criteria'** to either prohibit or put significant restrictions on financing activities they consider harmful

$12.5 trillion — **Assets that consciously incorporate ESG factors** into their investment decisions to promote activities for good

$23 trillion — **Assets that have 'Destruction of Conservation Areas'** as an exclusion criteria in their investment and financing decisions

$17 trillion — **Assets consciously screen for impact of water quality and on fresh water resources** into their investment and financing decisions

$6.5 trillion — **Assets consciously screen for tax transparency** into their investment and financing decisions

$245 billion — **Capital Mobilised for Clean Energy Financing** in 2019 by the firms

98% — **of firms targeting carbon neutrality** or energy from renewable energy sources

89% — **of firms have joined associations for** climate change and/or decarbonisation

79% — **of firms have have adopted GHG protocol accounting and reporting standards** aimed at reducing CO2 output

$63.2 billion — **Total affordable housing and inclusion initiatives** mobilised in 2019

$1.4 billion — **Spend on other CSR activities and philanthropic initiatives** in 2019

95% — of firms have publicly disclosed **campaigns for broader well-being of communities**

70% — of firms have publicly disclosed **employee volunteering schemes**

98% — of firms have publicly disclosed policies **prohibiting discrimination against women**

49% — of the aggregate employee base **across firms is comprised of women**

68% — of firms have publicly disclosed **policies prohibiting discrimination against minorities**

98% — **of firms belong to transnational and industry associations** designed to promote sustainability

Breaking New Ground

Force For Good Initiatives

There are **three categories** of Force for Good initiatives, **differentiated by the objectives and aims…**

'Being Good' Initiatives

'Inward looking' initiatives focused on companies' own operations and participation in general initiatives and actions that may not be specific to the financial industry

Operational Climate Change Targets	**98%**	Targeting carbon neutrality or energy from renewable energy sources
Community Outreach	**95%**	Have community outreach programs focused on broader community wellbeing
Stakeholder Diversity	**90%**	Have publicly-disclosed supplier and stakeholder diversity programs
Employee Training	**81%**	Run employee training programs to build skills and productivity
Environmental Impact Initiatives	**79%**	Are reducing their own environmental footprint through conservation initiatives
Employee Diversity & Inclusion	**78%**	Actively promote employee diversity through diversity and outreach programs
Employee Well-Being Programs	**73%**	Have publicly-disclosed employee programs from physical, mental and financial health
Volunteering Programs	**70%**	Have publicly-disclosed employee volunteering schemes
Philanthropy and Charity	**51%**	Have publicly-disclosed their donations to charities and foundations

Percentages indicate number of institutions in the Force for Good Initiatives that are pursuing such an initiative

Breaking New Ground

Force For Good Initiatives

'Doing Good' Initiatives

Initiatives where the finance industry prioritizes business selection and execution according to a set of commercial and broader societal objectives and goals

International Associations	**98%**	Participate in one or more industry or thematic associations focused on standard setting and coordination on ESG related issues
Sustainable Financing	**98%**	Apply screening criteria to exclude projects and customers deemed harmful
Shareholder and Client Engagement	**86%**	Engage with clients and investees on ESG and broader sustainability issues
Portfolio Balance Targets	**84%**	Have sustainable portfolio balance targets for their investments, such as sectoral caps or caps on exposure to certain activities
Green and SDG Linked Products	**73%**	Develop, underwrite or distribute 'green' products, like green bonds, green mortgages, green loans, etc.
Sustainability Research	**64%**	Publish 'Force for Good' research and thought leadership on ESG and sustainability

Other initiatives include impact investing programs (20% of institutions) and sustainable advisory services (<10%)

Percentages indicate number of institutions in the Force for Good Initiatives that are pursuing such an initiative

Breaking New Ground

Force For Good Initiatives

'Leading for Good' Initiatives

Efforts that mobilize capital, organizations and the broader stakeholder community to drive initiatives with a direct impact on major issues and opportunities

Initiative	Share	Description
Outcome Driven Compacts to Address Major Systemic Issues	**35-40%**	Participate in goal-oriented initiatives on climate, pollution and mass inclusion
Addressing Major National Issues with Governments	**17%**	Are either directly or in partnership with governments leading in addressing major national issues
Goal-Oriented Business Realignment	**16%**	Are re-aligning their business around the pursuit of sustainable goals
Creating New Institutions	**5%**	Are creating new institutions entirely to address a systemic failure to allocate capital to entrenched issues
Developing New Scalable Global Financial Systems	**5%**	Are developing new financial systems by leveraging emerging technologies

Percentages indicate number of institutions in the Force for Good Initiatives that are pursuing such an initiative

Mega-Trends, Big Idea, Big Themes

Nine big trends, ideas and themes with the potential to reshape not just the financial system, but the wider system of capitalism, and the shape of the world over the coming decades …

1	**Beyond Money, Leading Change in the World**	Leading financial institutions are becoming leaders beyond finance, and expanding their mission to encompass a broader role in society and the global community
2	**Collective Action Across All Boundaries**	The finance industry is collaborating with transnational organisations on major objectives like climate change and the SDGs and more
3	**Capitalism Revitalizes Through Every Stakeholder's Choices**	The finance industry has made the leap and with its management of over 90% of the net liquid assets in the financial system, it is a critical catalyst for systemic change
4	**Financing the Sustainable Development Goals**	With the finance industry's awareness of the importance of the SDGs heightened, a path to funding the US$5-7 trillion required annually to achieve the SDG goals is becoming visible
5	**Carbon Defunded, Alternatives Funded, Energy Transition Supported**	Finance industry leaders have prioritised a series of initiatives related to reducing carbon and creating new energy sources
6	**Creating Mass Inclusion, In the Developed World Too**	Inclusion has emerged as a high priority by the overwhelming majority of (88%) finance industry leaders examined and are driving mass, gender, racial and other inclusion
7	**The Democratization of Finance**	Finance will be increasingly democratized, decentralized and personalized as a result of technological innovation and network technology
8	**Post Crisis Capitalism: A More Conscious Values Based Approach**	The finance industry is already incorporating ESG and sustainability practices and is well-positioned as part of a broader shift in global awareness and consciousness post-Covid
9	**Funding the Future**	By becoming a Force for Good, the finance industry is developing financing solutions for breakthrough innovation, ensuring the availability of sufficient capital for the next stage in the journey for the world

ANNEX

I. ACKNOWLEDGEMENTS

I.I. ACTIVE PARTICIPANTS

Institution	Corporate Sponsors
Bank of America	Karen Fang, Managing Director Global Head of Sustainable Finance, Bank of America
Blackrock	Alexis Rosenblum, Chief Corporate Sustainability Officer Meaghan Muldoon, Global Head of ESG Integration Sarah Matthews, Vice President, Global Public Policy Michelle Edkins, Managing Director, Investment Stewardship
Bridgewater Associates	David McCormick, Chief Executive Officer Carsten Stendevad, Senior Executive Lauren Hardardt, Management Associate
CDPQ	Sarah-Émilie Bouchard, Chief of Staff Philippe, Vice President, Communication of Public Affairs
Citi	Bridget Fawcett, Chief Strategy Officer, Citi BCMA and Global Co-Head, Sustainability & Corporate Transitions Valerie Smith, Chief Sustainability Officer, Citi
Credit Suisse	Marisa Drew, Chief Sustainability Officer & Global Head Sustainability Strategy, Advisory and Finance Dana Barsky, COO and Head of Sustainable Products and External Partnerships
Fidelity Investments	Pam Holding, ESG Lead for Asset Management and Co-Head of Equity Nicole Connolly, Head of ESG Investing Dave King, Head of ESG Stewardship Laura Keenan, Chief Sustainability Officer Wendy John, Head of Global Diversity and Inclusion
First Abu Dhabi Bank	Karim Karoui, Group Head of M&A Belinda Scott, VP, Head of Corporate Sustainability Julia Woiwod, Assistant Vice President, Corporate Sustainability Lead
GIC Singapore	Thong Chie Shang, Head of Enterprise Strategy Heidi Yip Xin Ee, Senior Vice President
Goldman Sachs	John Goldstein, Head of the Sustainable Finance Group
Great-West Lifeco	Raman Srivastava, Chief Investment Officer Robert Campanelli, National Director, Corporate Sustainability Krystian Imgrund, Sustainability Manager Mary Maiers, VP, Investment Administration Benjamin Lemire, Director, Corporate Sustainability
HDFC	Deepak Parekh, Chairman Anjalee Tarapore, General Manager and Management Services & Investor Relations
HSBC	Daniel Klier – Group General Manager, Chief of Staff to the CEO of Global Banking, Global Head of Sustainable Finance

	Marielle Clarke Price, Group Reputation Lead, Climate and Sustainability Communications
Investec Bank	Tanya Dos Santos, Global Head of Sustainability Melanie Janse Van Vuuren, Sustainability Manager
Japan Post Holdings	Director and Representative Executive Officer, President & CEO Japan Post Holdings Co., Ltd. Masuda Hiroya
JPMorgan Chase	Marisa Buchanan, Managing Director, Head of Sustainability Richard Kaye, Head of International Public Affairs
Liberty Mutual Insurance Group	Neeti Bhalla, CIO Patrizio Urciuoli, Co-head Strategy and Asset Allocation and senior ESG leader Francis Hyatt, EVP, Chief Sustainability Officer
Lloyds Banking Group	Janet Pope, Chief of Staff and Group Director Sustainable Business Fiona Cannon, Group Sustainable Business Director
Morgan Stanley	Audrey Choi, Chief Marketing Officer & Chief Sustainability Officer Matthew Slovik, Managing Director, Global Sustainable Finance
Ninety-One Group	Hendrik du Toit, CEO Varuni Dharma, Head of Strategy & Stakeholder Relations
Nomura	Akiko Sonobe, Head of ESG Department Yuko Deguchi, Planning Section head of the ESG department
Nordea	Snorre Storset, Head of Asset & Wealth Management Anders Langworth, Head of Group Sustainable Finance
Northern Trust	Bob Browne, Chief Investment Officer
OMERS	Michael Kelly, Chief Legal & Corporate Affairs Officer Katharine Preston, Vice President, Sustainable Investing
Putnam Investments[1]	Katherine Collins, Head of Sustainable Investing Yolanda Taylor, ESG Integration Manager
Schroders	Marc Brookman, CEO Tiffani Potesta, Chief Administrative Officer, North America Sarah Bratton Hughes, Head of Sustainability, North America
SEB	Sir Roger Gifford, UK Country Head Christopher Flensborg, Head of Climate & Sustainable Finance Hans Beyer, Chief Sustainable Officer
State Street Global Advisors	Patricia Hudson, Global Head of ESG Strategy
UBS	Judson Berkey, Managing Director, Group Head of Sustainability Regulatory Strategy
Wellington	Wendy Cromwell, Vice Chair; Senior Managing Director; Partner; Sustainable Investment; and Portfolio Manager at Wellington Management

[1] Putnam Investments is an investment affiliate (subsidiary) of Great-West Lifeco and an independent participant in this report

I.2 FULL LIST OF ORGANIZATIONS AS PART OF THIS REPORT

Serial number	Organization
1	Allianz SE
2	Ameriprise Financial (Columbia Threadneedle)
3	Australian Super
4	Aviva plc
5	AXA SA
6	Bank of America
7	Bank of New York Mellon
8	Blackrock
9	BNP Paribas SA
10	Bridgewater Associates
11	CDPQ
12	CALPERS
13	Capital Group
14	Citi
15	Credit Suisse
16	Danske Bank
17	Fidelity Investments
18	First Abu Dhabi Bank (FAB)
19	Future Fund
20	GIC Singapore
21	Goldman Sachs Group
22	Government Pension Fund Japan (GPIF)
23	Great-West Lifeco
24	HDFC Limited
25	HSBC
26	Investec Bank
27	Japan Post Holdings
28	JPMorgan Chase
29	Julius Bär Group AG
30	Korea Investment Corporation
31	Liberty Mutual Insurance Group
32	Lloyds Banking Group
33	Manulife Financial Corporation
34	MetLife, Inc.
35	Mitsubishi UFJ Financial Group, Inc
36	Mizuho Financial Group, Inc.
37	Morgan Stanley
38	NatWest Group plc

39	New York Life Insurance Company
40	Ninety-One Group
41	Nippon Life
42	Nomura Holdings
43	Nordea
44	Norges Bank Investment Management
45	Northern Trust Corp.
46	OMERS
47	PGGM
48	PIMCO
49	Prudential Financial, Inc.
50	Prudential plc
51	Putnam Investments
52	Schroeders Plc
53	SEB AB
54	St James Place Plc
55	Standard Life Aberdeen
56	State Street Global Advisors
57	Swiss Life Holding AG
58	TIAA (US)
59	UBS
60	Vontobel
61	Wellington
62	Wells Fargo & Company
63	Zurich Insurance Group AG

I.3. Project Leadership and Execution

UN Hosts, Guidance and Review

Chantal Line Carpentier, Chief, United Nations Conference on Trade and Development (UNCTAD) New York office of the Secretary-General

William Kennedy, UN, Senior Program Officer, UN Office for Partnerships

Project Leadership

Ketan Patel, Project lead and Chair of the Steering Group, Chair of the UN-WAAS Finance Working Group of the GL-21 Global Leadership Project, CEO of Greater Pacific Capital, formerly Head of Goldman Sachs' Strategic Group, Author of 'The Master Strategist'

Lawrence Ford, Founder, Chairman and Senior Representative of the co-sponsor, FutureCapital, CEO and Founder of Conscious Capital Wealth Management,

Project Steering Group

Katherine Collins, Head of Sustainable Investing at Putnam Investments, Portfolio Manager of Putnam's Sustainable Future Fund and Putnam Sustainable Leaders Fund, Author of 'The Nature of Investing: Resilient Investment Strategies through Biomimicry'

Frank Dixon, Founder of Global Systems Change, Formerly Managing Director of Research at Innovest Strategic Value Advisors, Author of 'Global System Change: A Whole System Approach to Achieving Sustainability'

Gil Friend, founder and CEO of Natural Logic Inc and Path Capital, first Chief Sustainability Officer for the City of Palo Alto, California, Author of 'The Truth About Green Business'

Steven Lovink, Founder Planet2025 Network/Power of One, Co-founder and Senior Advisor Institute for Environmental Security, The Hague. Author of 'Imagining Philanthropy for Life - A Whole System Strategy to Transform Finance and Grow True Wealth'

Terry Mollner, Co-Founder of Stakeholders Capita, Formerly Co-Founder of Calvert Impact, Founder and President of Trusteeship Institute

Mark Sloss, Partner at Wilde Capital Management, Formerly at UBS Wealth Management and New York Life Investment Management

Partner Outreach and Engagement

Ketan Patel, Katherine Collins, Mark Sloss.

Jonathan F. Miller, Strategic Media Advice

Project Reporting and Analysis Team

Christian Hansmeyer, report preparation and case analysis, Head of Research and Risk, Greater Pacific Capital

Nandan Desai, report preparation, analysis and research team lead, Head of Citizenship and Sustainability, Greater Pacific Capital

Aditya Ajit, analytics and research, Greater Pacific Capital

Anukansha Birla, analytics and research, Greater Pacific Capital

Lesley Whittle, project administration, Greater Pacific Capital

Authorship of Report 'Capital as a Force for Good'

This report was prepared by Ketan Patel, Christian Hansmeyer and Nandan Desai, **with review, feedback and insights** from Katherine Collins, Frank Dixon, Lawrence Ford, Gil Friend, Steven Lovink, Terry Mollner and Mark Sloss of the Steering Group.

Final review and insights were provided by Chantal Line Carpentier of UNCTAD and William Kennedy of the UN Office for Partnerships.

Review and guidance was provided by Garry Jacobs, Chief Executive of the World Academy of Art and Science.

II. COMPANY CASE STUDIES

These case studies encompass the institutions that are active participants in this project as well as a small number of significant others. They are prepared from public sources, and by exception, incorporate private information provided by the participants.

BofA Leading for Good

BofA Doing Good

BofA Being Good

Bank of America

Significant Sustainable Finance goals, including a $445 Billion Environmental Business Commitment

"Companies have to deliver great returns for shareholders and address important societal priorities—aligning their activities and operations to drive progress on the SDGs. That's stakeholder capitalism in action." *Brian Moynihan, Chief Executive Officer*

Key Highlights

- ❑ **Environmental Business Initiative:** Committed to support Sustainable Energy and Transportation, Climate Resiliency, Clean Water and Sanitation through lending, capital raising and advisory solutions
  - **Aggregate commitments: >$445BN**
  - **Total capital deployed to date: >$160BN**
- ❑ **Advancing Racial Equality**: Committed to invest **$1BN over 4 years to advance racial equality and economic opportunity** by addressing critical issues and long-term gaps
- ❑ **Blended Finance Catalyst Pool:** Allocated **$60MM** to a revolving capital pool intended to be leveraged and mobilize private capital to the UN SDGs
- ❑ **Philanthropic Giving: >$180MM in 2019** including $157MM to advance economic mobility (2019) and $24MM in environmental-focused giving (2019)
- ❑ **GHG Emissions Targets**
  - >50% reduction in GHG emissions at facilities since 2010
  - Purchased 100% renewable electricity (2019)
  - Achieved Carbon Neutrality for Scope 1 & 2 Emissions (2019)
- ❑ **Embracing a Diverse Workforce**
  - **Women** make up 50% of employees, 46% of global management, and 35% of Board
  - **Individuals of diverse races / ethnic backgrounds** make up 47% of US workforce

"Our communities and the environment are inextricably linked, and Bank of America cares deeply about both and continues to explore innovative ways to enable investors to use their investments to help address these societal challenges."

Anne Finucane, Vice-Chairman, Bank of America

BANK OF AMERICA

- **Category: Bank/Investment Bank**
- **Annual Revenues (2019):** US$91.6BN
- **Headquarters:** Charlotte, NC, USA
- **Employees:** 208,000
- **Signatory to UN-PRI, Equator Principles, UN Global Compact, Green Bond Principles, et al.**
- **>$200BN** Proceeds raised across 300+ ESG bond offerings
- **>$39BN** Credit extended to small business owners (2019)
- **>$25BN** Wealth Management assets with ESG focus (2019)
- **>$10BN** ESG Bond Issuance (5 Green, 2 Social, 1 Sustainability)
- **>$9BN** Tax Equity financing for wind and solar facilities
- **>$1.5BN** in Community Development Finance Initiative lending (2019)

BlacckRock Leading for Good

BlackRock Doing Good

BlackRock Being Good

BlackRock Inc.

Purpose Driven Investing

"Purpose is not a mere tagline or marketing campaign; it is a company's fundamental reason for being – what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them."

Larry Fink, CEO

Key Highlights

BlackRock's purpose is to help more and more people experience financial well-being, embedding a focus on long-term sustainability across its business.

- ❑ **100% ESG integration** of all investments and advisory strategies in 2020 through investment processes, material insights, and transparency
- ❑ **Investment Stewardship through** active portfolio company governance through 3,000 direct engagements and voting at *16,200 shareholder meetings, with 5,100 votes against directors*
- ❑ **US$152bn in ESG AUM across a broad portfolio of products** *141 Sustainable index funds and ETFs and 67 active strategies*
- ❑ **Public Policy Advocacy** supporting financial market transparency, investor protection and the responsible growth of capital markets through published research and letters and consultations

"Companies with strong profiles on material sustainability issues have potential to outperform those with poor profiles. In particular, we believe companies managed with a focus on sustainability should be better positioned versus their less sustainable peers to weather adverse conditions while still benefiting from positive market environments."

Philipp Hildebrand, Vice Chairman, Sustainable Investing

BLACKROCK

- **Category: Asset management**
- **Total AuM (2020):** US$7.8 tn
- **Headquarters:** New York, USA
- **Employees:** 16,200
- **Signatory to UN-PRI, SASB, UN Global Compact, GRESB, et al.**
- **US$31bn** in renewable energy and green bonds
- **US$3.9bn** in SDG impact investments
- **US$500m** charitable foundation focused on economic mobility, financial resiliency and sustainability
- **US$50m** in charitable giving for coronavirus related causes
- **42%** of employees and 31% of the board of directors are women

Bridgewater Leading for Good | Bridgewater Doing Good | Bridgewater Being Good

Bridgewater Associates

Using Systematic Research Process to Engineer Scalable Portfolios to Achieve Financial and Sustainability Goals

<u>Key Highlights</u>

- **Bridgewater views sustainability through the lens of their 40-year macroeconomic investment research approach and as an application of their portfolio construction process.**
- **CIOs/senior investors research how environmental, social, and governance issues drive economies and markets—including topics such as populism, income inequality, the economic impacts of climate change, shifts towards renewable energy sources.**
- **Use systematic research and portfolio engineering capabilities to engineer portfolios that seek to achieve "three dimensions" – return, risk, and impact.**
    - *Developed a scalable strategic asset allocation using assets aligned to the UN Sustainable Development Goals and available in large, liquid, public markets.*
    - *Combined systematic thinking and sustainability assessment to build a logical, transparent, and repeatable methodology across asset classes.*
    - *Applying research capabilities to solve for the gaps and inconsistencies in frameworks, methodologies, datasets available to institutional investors.*

"The journey of scalable sustainable investing is a strategic priority for Bridgewater and our clients. Using the same research process that we have developed over the last forty years, we have built a systematic process to engineer both the sustainability and financial characteristics of portfolios."

Brian Kreiter, Chief Operating Officer

BRIDGEWATER

- **Category: Hedge Funds**
- **Total Assets/AUM:** US$138bn
- **Headquarters:** Westport, USA
- **Employees:** 1,500

- **Signatory to UN-PRI**

- **ESG and sustainability research publications**
- **37%** of employees are women
- **25%** of employees are minorities, 20% of senior positions
- **Women earn 99%** and minorities earn 100% of average white male compensation
- **Top Score (100)** on Corporate Equality Index as top workplace for LGBTQ+ talent

CDPQ Leading for Good | CDPQ Doing Good | CDPQ Being Good

CDPQ

Stewardship Investing with a Focus on Climate Change

"At CDPQ, we believe that environmental, social and governance (ESG) matters should not be seen as constraints. They are an opportunity to generate sustainable growth that benefits everyone."

CDPQ

<u>Key Highlights</u>

Stewardship investing priorities include climate change, diversity and governance with a priority focus on the climate change

☐ **Carbon neutral portfolio** by 2050, working with the Net-Zero Asset Owners Alliance

US$25.5bn low-carbon investments *in portfolio as at December 31, 2019, an increase of US$13,5bn since 2017*

25%-reduction target on the portfolio's carbon intensity *(emissions per dollar invested) between 2017 and 2025*

☐ **Exercising climate leadership** within the industry and portfolio companies, including through

Industry and regional association leadership and membership

Working with portfolio companies, voting on 58 climate related proposals during shareholders meetings in 2019

☐ **Investment decision making**. Include climate change factors in every investment decision

CDPQ

- **Category: Asset Management**
- **Total AuM (2019) : US$250bn**
- **Headquarters:** Quebec City, Canada
- **Employees: 2,750**

- **Signatory to the UN-PRI and Net-Zero Asset Owners Alliance**
- **Co-Founded the Investors Leadership network (ILN), including managers with US$6tn in AUM**

- **95%** increase in low¬carbon investments between 2017 and 2020 (US$13.5bn to US$25.5bn)
- **43%** of the members of the board of directors are women
- **180** organizations active in priority philanthropic sectors supported

Citi
Leading for Good

Citi
Doing Good

Citi
Being Good

Citi

US$250bn Environmental Finance Initiative

"With our $250 billion goal, we want to be a leading bank in driving the transition to a low-carbon economy, which we anticipate will accelerate as businesses of all kinds shift to a more sustainable future."

Michael Corbat, Chief Executive Officer

Key Highlights

- **Five-year 2025 Sustainable Progress Strategy** in place to help accelerate the transition to a low-carbon economy.
- **US$250bn Environmental Finance Goal** to finance and facilitate climate solutions globally, including in renewable energy, clean technology, water quality and conservation, sustainable transportation, green buildings, energy efficiency, circular economy, and sustainable agriculture and land use.
  - Previous US$100bn goal announced in 2015 completed four years early
- **Sustainable Progress Strategy** includes
  - Climate risk: Measure, manage and reduce the climate risk and impact of our client portfolio

    Only major US bank to join the UNEP FI climate risk pilot program and early adopter of PCAF and PACTA
  - Sustainable Operations: Reduce the environmental footprint of our facilities and strengthen sustainability culture

"Citi's new $250 billion goal is an ambitious target that signals our expanded commitment to sustainable finance and focuses on helping our clients across all sectors to transition to more sustainable business models and practices"

Val Smith, Chief Sustainability Officer, Citi

- **Category: Bank/Investment Bank**
- **Total Revenues (2019) :** US$77.4bn
- **Headquarters:** New York, USA
- **Employees:** 199,903

- **Signatory to the UN-PRB, Equator Principles, ILO Core Convention, et al.**

- **First female CEO**-designate on Wall Street – Jane Fraser
- **US$6bn** affordable housing loans disbursed
- **$1bn Action for Racial Equity** commitment launched in 2020
- **51%** of workforce and 47% of board of directors are women
- **850,000** youths employed since 2014 through Pathway to Progress program
- **Over 1m** volunteer hours contributed in 2019

Credit Suisse
Leading for Good

Credit Suisse
Doing Good

Credit Suisse
Being Good

Credit Suisse

Generating Returns. Sustainably.

"Credit Suisse views finance not as an end in itself but as a means to realize ambitious objectives, and we strive to lead the way in supporting clients as they adapt their business models and join the transition to a more sustainable economic system. "

2019 Corporate Social Responsibility Report

Key Highlights

Reaffirming sustainability's place at the heart of the organization, Credit Suisse established Sustainability, Research & Investment Solutions (SRI) as a unique ExB level function, bringing together 1,700 employees dedicated to delivering innovative sustainable solutions:

- **Goal to provide at least CHF 300bn of sustainable financing** over the next decade and a **USD 100bn target for sustainable AuM by 2020**
- **Pioneering effort to create a scalable capital markets framework for transition finance** in partnership with the CBI and endorsement from key industry players including the Bank of England and Bloomberg
- **Leadership in biodiversity and conservation financing** with a commitment to enhanced consideration of biodiversity in financing decisions as well as products including **the first engagement fund focused on the oceans, the first of its kind conservation note, work in progress on a landmark animal conservation bond** and support of industry initiatives such as TNFD
- **Driving deep impact** through our products with **over 14.2m low-income individuals reached** through our Asia Impact Investing Fund
- **Harnessing our convening power** to deliver thought leadership, establish industry best practice and connect practitioners with investors

"[There] is an awakening to the notion that the social and environmentally targeted themes underpinning impact investments are ultimately fundamental to a well-functioning, prosperous global economy."

Marisa Drew, Chief Sustainability Officer and Global Head Sustainability Strategy, Advisory and Finance

- **Category: Diversified Bank**
- **Annual Revenues (2019) :** US$24.7bn
- **Headquarters:** Zurich, Switzerland
- **Employees:** 48,800

- **Signatory to the UN-PRI, UN-PRB, UN Global Compact, IFC and Poseidon Principles et al.**

- **US$48bn** in assets managed according to sustainability criteria
- Worldwide operations are GHG neutral
- Leader in solar financing, with over **$4.3bn** of tax equity committed over the past decade
- Worked with the Swiss government to provide rapid support for companies affected by the COVID-19 pandemic
- **39%** of employees are women
- **191,500** hours of employee volunteering in 2019 and recently raised **CHF 25m** for charitable causes through an employee matching campaign

Fidelity
Leading for Good

Fidelity
Doing Good

Fidelity
Being Good

Fidelity

ESG in Action

"We believe the operating behaviors, principles, and outcomes associated with environmental, social, and corporate governance (ESG) initiatives are integral to a company's long-term economic success, and therefore of critical importance to sound investment decisions."

Pam Holding, ESG Lead for Asset Management and Co-Head of Equity

Key Highlights

☐ **Embracing sustainable capitalism based on determining what it takes for investee companies to survive, adapt and thrive in an uncertain future and actively managing the transition to companies and funds that are sustainable and resilient**

☐ **Assessing Built to Last Capability**. Focuses on engaging with company managements and assessing their ability to create a business model that is built to last, to be integrated into the transforming world around them, rather than be overcome by unpredictable social and environmental changes

☐ **Looking to the Future.** Development of forward looking ESG ratings based on analysis from 150 equity and fixed income analysts

☐ **Engaging and Influencing.** Engagement with 15,000 company management teams a year on sustainable capitalism related issued

☐ Managing **Change.** Active change management through launching own funds that meet show the way:

- ***Water.*** *Fidelity Water Sustainability Fund invests in companies helping to deliver safe, reliable, and easily accessible water.*
- ***Women.*** *Fidelity Women's Leadership Fund invests in companies that prioritize and advance women's leadership and development*
- ***Environment and Energy.*** *Fidelity Select Environment & Alternative Energy Portfolio invests in alternative and renewable energy, energy efficiency, pollution control, water infrastructure, waste and recycling technologies, or other environmental support services*

"ESG allows investors to align their capital with their values…Our ESG product roadmaps aims to deliver returns with a purpose"

Nicole Connoly, Head of ESG investing

Fidelity INVESTMENTS

- **Category: Asset Management**
- **Total AuM (2020) : US$8,800bn**
- **Headquarters:** Boston, USA
- **Employees:** 50,000
- **Signatory to the UN-PRI, SASB, et al**
- **Member of Ceres Investor Network, ICGN, Focusing Capital on the Long Term**
- Integration ESG into core investment research and portfolio management processes
- Organisational sustainability targets reducing energy, water and paper consumption as well as emissions and landfill waste

FAB
Leading for Good

FAB
Doing Good

FAB
Being Good

First Abu Dhabi Bank

Driving Regional Transition to a Low Carbon Future

"As the UAE's largest bank, and one of the largest in the MENA region, we recognise our critical role in supporting the UAE's transition to a low carbon economy and in shaping the future of sustainable finance."

First Abu Dhabi bank, Commitment to Sustainability, 2000 Green Bond Report

Key Highlights

Core mission to diversify and transition the UAE economy from carbon to a sustainable future.

☐ **Transforming Finance.** Issuance and management of green bonds, green private placement and other forms of green financing in the GCC region

☐ **Transforming Portfolio.** Building a growing investment portfolio of green and ESG integrated AuM

☐ **Transforming Projects.** Funding of renewable and green projects including renewable energy projects, green building projects, and energy efficiency projects regionally and internationally

☐ **Transforming Sustainable Impact.** Underwriting and issuance of SDG linked financing, working with clients to develop sustainable development frameworks

☐ **Transforming Influence.** Representing Abu Dhabi and its financial services sector in international sustainability and green initiatives

"At FAB, we are guided by the increasing focus and mandates set out by the UAE Government to diversify and transition the UAE economy."

Belinda Scott, VP and Head of Corporate Sustainability

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

- **Category: Bank/Investment Bank**
- **Total Revenues (2019) : US$5.5bn**
- **Headquarters:** Abu Dhabi, UAE
- **Employees:** 5,451
- **Signatory to the Equator Principles**
- **1st** green bond, first SDG linked loan and first green revolving credit facility in GCC region issued
- **US$500m** Khalifa Fund for local small business development administered
- **Over 300,000** customers helped managing the National Housing Loan program
- **FABCares** programme for employee's physical, mental and financial wellbeing

GIC Leading for Good

GIC Doing Good

GIC Being Good

GIC Singapore

Investing Framework With Sustainability Integrated

"We believe that companies with good sustainability practices offer prospects of better risk-adjusted investment returns over the long term, and that this relationship will strengthen over time." *LIM Chow-Kiat, CEO*

Key Highlights

As Singapore's sovereign wealth fund, ensuring long-term sustainability of its global investments and operations is fundamental to GIC. This is accomplished through:

☐ **Sustainability integration** across GIC's investment and corporate processes, with investment committees responsible for assessing and managing the relevant ESG and climate-related risks and opportunities

☐ **Investment interventions**, including

- **Additional due diligence and engagement.** For companies exposed to greater sustainability risks, long-term valuation and risk models are adjusted, and dialogues are undertaken with company management
- **Investing in thematic opportunities.** An internal effort has been set up to invest in sustainability-themed, high-conviction ideas
- **Transitioning Assets.** Greening the portfolio of real assets, and ensuring that all future ones invested in are environmentally sustainable, or have the potential to be made so
- **Performance Drivers**. Incorporating sustainability signals into quantitative strategies to enhance risk-adjusted returns.

"By integrating Sustainability into our management and investment processes, we build resilience and diversification in our portfolio to achieve better long-term returns. This is an effort that involves everyone in GIC, across all asset classes and investment strategies."
LIEW Tzu-Mi, Chief Investment Officer for Fixed Income, and Chair of the Sustainability Committee

GIC

- **Category: Sovereign Wealth Fund**
- **Total AuM (2020) :** >US$100bn
- **Headquarters:** Singapore
- **Employees:** 1,700
- **Signatory to/member of the SASB, GRESB, IFSWF, WEF International Business Council, CDP, AIGCC and Climate Action 100+**
- **Carbon neutral** target for own operations 2020/21
- **30%** of executive management team are women
- GIC Sparks & Smiles supporting students from low income families
- Charitable giving and employee volunteering programs
- GIC Insights event for influencing thought and business leaders

Godman Sachs Leading for Good

Godman Sachs Doing Good

Godman Sachs Being Good

Goldman Sachs

Integrated US$750bn Sustainable Finance Commitment

"Over the next 10 years, Goldman Sachs will target US$750 billion of financing, investing and advisory activity to nine areas that focus on climate transition and inclusive growth…the needs of our clients will increasingly be defined by sustainable growth. Our firm's long-term financial success, the stability of the global economy and society's overall wellbeing all depend on it.
David Solomon, Chief Executive Officer

Key Highlights

❑ **Deploying $750 billion** across investing, financing and advisory activities by 2030 across themes of climate transition and inclusive growth,

❑ **Themes focused on nine areas** including renewable energy, sustainable transportation, sustainable food and agriculture, affordable education, accessible healthcare, community investments, financial inclusion, and waste and materials

❑ **Implementation of associated environmental policies** with sector specific guidelines for carbon intense sectors including coal, oil sands

"It's rooted in the view of where the world is going. These two themes are increasingly shaping the operating environment the economy and thus the world for our clients and for ourselves."
John Goldstein, Sustainable Finance Group Head

Goldman Sachs

- **Category: Diversified Bank**
- **Annual Revenues (2019):** US$36.6bn
- **Headquarters:** New York, USA
- **Employees:** 38,300
- **Signatory to the UN-PRI (GSAM division), 'United for Paris Agreement' statement, et al.**
- **US$59bn** in green, social and sustainability bonds underwritten since 2014
- **$88bn in clean energy financing** and investments since 2012
- **$78bn for ESG** and Impact Investing Strategies
- **40%** of workforce are women

Great-West Lifeco
Leading for Good

Great-West Lifeco
Doing Good

Great-West Lifeco
Being Good

Great-West Lifeco

Supporting Sustainability and Strengthening Communities

"We believe that having a positive impact on the world around us through our people and our operating model is essential to meeting our customers' needs and creating sustainable and long-term value for our shareholders." *Paul Mahon, President and Chief Executive Officer, Great-West Lifeco*

Key Highlights

- In the communities where we live and work, our goal is to make a positive impact by supporting initiatives that matter through donations and volunteerism.
- In addition to meeting the ethical standards set out in Great-West Lifeco's Code of Conduct, Great-West Lifeco strives to:
  - Meet its responsibilities to minimize its environmental impact;
  - Make a positive contribution in the communities where Great-West Lifeco and its companies are established; and
  - Support and respect the protection of internationally proclaimed human rights
- Great-West Lifeco continues to support ongoing growth and enhanced revenue opportunities through sustainable investment, and:
  - Launched its Sustainable Investments Council, which supports its growing responsible investment activities and reporting processes across its investment management affiliates;
  - Uses responsible investing as a means to mitigate potential risks and identify valuable investment opportunities;
  - Assesses the exposure of its investment portfolio to a broad range of climate-related risks and opportunities and, in recognition of such efforts, attained an 'A' (Leadership) rating on CDP's 2020 Climate Change Questionnaire

"We believe that an effective, sustainable global economy is essential to the creation of long-term value. The incorporation of relevant ESG information contributes to the fulfillment of our duties as an insurer, asset owner, and trusted asset manager."

Raman Srivastava, Global Chief Investment Officer, Great-West Lifeco

GREAT-WEST LIFECO INC.

- **Category: Insurance**
- **Total AuM (2019): US$586bn**
- **Headquarters:** Winnipeg, Canada
- **Employees:** 24,000+
- **Asset management affiliates (ILIM, Putnam, PanAgora) signatories to the UN-PRI.**
- **CAD$17bn+** in funds with ESG-related strategies (2019CY)
- **CAD$37bn** in benefits paid to customers (2019CY)
- **57%** of the workforce and **27%** of the board of directors are women (2019CY)
- **CAD$17M** contributed to communities (2019CY)
- **700+** education, health and wellness, arts, social services and community development initiatives (2019CY)

HDFC
Leading for Good

HDFC
Doing Good

HDFC
Being Good

Housing Development Finance Corporation

Driving Mass Affordable Home Ownership

"[HDFC] has remained steadfast in its commitment towards supporting the Government's flagship scheme, 'Housing for all' and continued to pursue efforts towards lending to the Economically Weaker Section, Low Income Group and Middle Income Group segments."
Deepak Parekh, Chairman

Key Highlights

Pioneer, lead and work with government and other stakeholders in using finance for mass inclusion of India's people in home ownership

☐ **Affordable Housing for the Poor.** Leading participant with Government of India in its initiative (Pradhan Mantri Awas Yojana – Credit Linked Subsidy Scheme) to provide home ownership.

- ***Government mission to provide 20 million affordable houses to urban poor by 31 March 2022***
- ***HDFC has cumulatively financed US$6.0bn, 200,000 home loans under under this scheme,*** *including during the pandemic lockdown. This is the largest by any financial institution in India.*

☐ **Promoting first-time homeownership**

☐ **Providing housing finance solutions for all income groups in both, rural and urban India**

"The government's PMAY scheme has been successfully assisting homebuyers belonging to different income groups since 2015. The scheme is in line with our overall philosophy that every Indian must have a home of their own."

Renu Sud Karnad
Managing Director

HDFC

- **Category: Mortgage Finance**
- **Total Revenues (2020) :** US$7.8bn
- **Headquarters:** Mumbai, India
- **Employees:** 3,095
- **Pioneer of Housing Finance in India; cumulatively financed 8 million housing units since inception**
- Core mission to drive home ownership and financial inclusion in India
- **64%** of loans given to low-middle income households
- **40%** of total loans approved in FY20 were to women
- **US$28.3m** across multiple SDG related programs
- Community initiatives in healthcare, education, skilling & livelihoods

HSBC Leading for Good

HSBC Doing Good

HSBC Being Good

HSBC

US$1 trillion Zero Carbon Commitment

"What we have given the market is an ambition that our total financing by 2050 will be net zero, that is a far bigger prize or goal than picking a sub-segment of our portfolio and saying 'I am not going to bank you' because that's not what the world needs,"."

Noel Quinn, Chief Executive Officer

Key Highlights

Target net zero carbon emissions across its entire customer base by 2050 at the latest, and providing between $750 billion and $1 trillion in financing to help clients make the transition through

- ❑ **Facilitation.** Advisory services to facilitate the flow of capital and to provide access to capital market, e.g. through
  - **US$14.3bn in Green Bonds 2019 (1st globally)**
  - **US$3.8bn in Sustainability Bonds 2019 (1st globally)**
  - **US$0.7bn in Social Bonds 2019 (7th globally)**
- ❑ **Financing.** Lending facilities for defined uses of proceeds **US$800m in green loans** in UK
- ❑ **Investments.** investments made into companies and funds that have an impact on society and/or the environment.
  - **US$508 billion in responsible investment AuM** (based on GSIA)
  - **US$10 billion in sustainable investment AuM** (based on GSIA and ESG integration)
  - **US$100 million** in clean tech principal investments

"HSBC has long been committed to opening up opportunities for our customers and the communities we serve. As we enter a pivotal decade of change, we have a landmark opportunity to accelerate our efforts to build a healthier, more resilient, and more sustainable future."

Noel Quinn, Chief Executive Officer

HSBC

- **Category: Banking**
- **Total Revenues (2020) :** US$7.8bn
- **Headquarters:** London, UK
- **Employees:** 235,000
- **Signatory to the UN-PRI, Equator Principles, SASB, UN Global Compact, UNEP-FI, et al.**
- **US$38 billion** in green bonds issued
- **US$12 billion** in renewable energy banking and finance
- **52%** of workforce and 16% of board of directors are women
- **US$101 million** in charitable giving in 2019
- **750,000 hours** of employee volunteer work committed in 2019

Investec Leading for Good

Investec Doing Good

Investec Being Good

Investec plc

Conservation for the Environment and the Economy

"We understand, that as a corporate, we must take greater responsibility and actively participate in finding more sustainable ways of doing business. At Investec it is core to who we are, core to our philosophies and values, and core to our commercial success."

Fani Titi, Chief Executive Officer

Key Highlights

Protecting biodiversity, educating the youth and creating job opportunities, tourism to actively seek to a positive force in the South African economy

- ☐ **Collective Impact.** Operate in a collective effort with government, the private sector and communities to address major issues
- ☐ **Community.** Lift the community with education, skills development, job opportunities and infrastructure development.
  - Education. Introducing digital learning and English language skills for rural youth with the Good Work Foundation
  - Employment. Partnership with the Youth Employment Service (YES) to employ youths in conservation projects
  - Infrastructure. Partnership with Innovation Africa and the Entrepreneurship Development Trust (EDT) to provide water infrastructure to aid the development of rural communities
- ☐ **Environment.** Direct impact on wildlife conservation through the Investec Rhino Lifeline focusing combining both education and rescue

"Investec aims to build a more inclusive wildlife tourism economy which incorporates previously excluded communities into the value chain by educating, training and creating new enterprises and employment opportunities for local participants."

Tanya dos Santos, head of Group Sustainability

Investec

- **Category: Bank/Investment Bank**
- **Total Revenues (2019) : US$2.1bn**
- **Headquarters:** London, UK/Johannesburg, South Africa
- **Employees:** 8,355
- **Signatory to UN-PRI, UN-PRB, UN Global Compact, et al.**
- **1st** ESG linked deposit plan launched in the UK
- **2.3%** of 2020 operating profit spent on community initiatives
- Currently piloting a solar solution for private clients in South Africa
- **12.1m** people reached through conservation campaigns
- **48%** of the workforce are women

JPMorgan Chase Leading for Good

JPMorgan Chase Doing Good

JPMorgan Chase Being Good

JPMorgan Chase & Co

Multi-Dimensional Impact Strategy

"Systemic racism is a tragic part of America's history. We can do more and do better to break down systems that have propagated racism and widespread economic inequality, especially for Black and Latinx people. It's long past time that society addresses racial inequities in a more tangible, meaningful way."

Jamie Dimon, Chairman and CEO, JPMorgan Chase

Key Highlights

- **Global – US$100bn J.P. Morgan Development Finance Institution** to scale up finance for developing countries
  - Projected financing volume of US$100bn from investment banking activities with additional contributions from firm's markets businesses
- **Global – Paris-aligned Financing commitment** for oil and gas, electric power, and automotive manufacturing sectors.
  - Adoption of a financing commitment that is aligned to the goals of the Paris Agreement with intermediate emission targets for 2030
- **National - US$30bn commitment to advance racial equity** over the next five years, including
  - Affordable housing/home ownership, growing minority-owned businesses, financial inclusion, workforce diversity
- **Local - US$500m *Advancing*Cities initiative** to drive inclusive growth and greater economic opportunity in cities over five years
  - Combines lending and philanthropic capital and consists of the *Advancing*Cities Challenge and large-scale investments in cities.

JPMORGAN CHASE & CO.

- **Category: Bank/Investment Bank**
- **Total Revenues (2019) :** US$115.6bn
- **Headquarters:** New York, USA
- **Employees:** 257,000

- **Supports the UN-PRI, GIIN, Equator Principles, SASB, et al.**

- **US$2tn** in ESG integrated AuM
- Consistent ESG integration across 2,000 stocks covered globally
- **US$200bn** being facilitated for SDG linked goals in 2020
- **US$15bn** in green bonds ~~issued~~ underwritten in 2019
- **49%** of workforce are women
- **51%** of workforce are from ethnic minorities

Japan Post Leading for Good

Japan Post Doing Good

Japan Post Being Good

Japan Post Holdings

The Japan Post Group's Sustainability

"To enhance the enterprise value of the Group, it's important for us to pursue measures that directly boost profitability, while at the same time actively fulfill our social responsibilities. There are approximately 24,000 post offices in Japan. This network serves as a social infrastructure that stably and uniformly provides all communities throughout the country with the services that support the foundation of life, including postal deliveries, savings, and insurance. Steadily fulfilling this role, conscientiously facing the challenges and needs that change with the times and developing and sharing with society the value (products and services) to meet those challenges, are sustainability for the Group. I believe that these measures are essential for the Group's sustainable growth. "

Hiroya Masuda, President and Chief Executive Officer, Japan Post Holdings

Key Highlights

Seeking to realise the SDGs to build a sustainable society in Japan driving cross-generational regional revitalization

☐ **ESG Integration -** seeking to make investments that contribute to the public good

World Bank sustainable development awareness bond

☐ **Strategy Alignment with SDGs -** incorporating core SDG goals into corporate vision and strategy with specific targets

Together with Society and local communities: CSR targets

Together with the Earth: Reducing CO2 by 169,000 tonnes by 2030

Together with People: Number of Women in Management Positions in Group: 2,971 persons （8.8%）

☐ **Regional Communities** -revitalizing regional economies through the flow of funds to communities.

(Participation in 31 regional revitalisation funds(As of October 31, 2020))

JP HOLDINGS 日本郵政

- **Category: Banking/Insurance**
- **Total Revenues (2019) : US$1.2bn**
- **Headquarters:** Tokyo, Japan
- **Employees:** 408,846

- **Signatory to the UN-PRI, UN Global Compact and UN Guiding Principles on Human Rights, et al.**

- Participation in 31 regional revitalisation funds(As of October 31, 2020)
- Number of female executive officers:21 persons(As of July 1, 2020)

Japan Post Holding includes the group's postal delivery business alongside financial services interests

Liberty Mutual Leading for Good

Liberty Mutual Doing Good

Liberty Mutual Being Good

Liberty Mutual Insurance Group

Insurance as a Social Good

"We believe we are in a unique position to make lasting change for our industry and our communities. We are proud to support the UN Secretary General's Strategy and Roadmap for Sustainable Development to address some of the most pressing issues facing the world today -- from climate change to breaking down barriers so that the future of capital is built upon a more sustainable financial system -- leading to prosperous and inclusive economies for future generations."

Neeti Bhalla Johnson, Chief Investment Officer, Liberty Mutual Insurance.

Key Highlights

Environment: At Liberty Mutual, we're continuously enhancing our insurance offerings and developing our underwriting expertise in low-carbon or zero-carbon energy sources, while also expanding our investments in renewable power and infrastructure:

- ❑ Our Global Risk Solutions business has expanded its renewable energy insurance products that support wind, solar, geothermal, hydroelectric and biomass
- ❑ Over the past decade, our energy investment strategy moved further toward low-carbon projects, notably wind, solar and hydroelectric

Society: For 108 years, our philosophy has been that insurance is far more than a safety net. Whether a source of comfort in difficult times, a source of courage in times of change or a source of support to progress further, insurance can be a springboard for positive change

Diversity & Inclusion: We're continually looking at new ways to attract, engage and retain employees who reflect the needs of our clients, customers and the communities we serve. We're focused on creating a sense of belonging for all

"At Liberty Mutual, we believe progress happens when people feel secure. This belief is underpinned by our conviction that insurance is a socially responsible product, delivering security to people and businesses. We are committed to being environmentally conscious and a force for good, while operating with the highest standards of governance."

Francis Hyatt, Chief Sustainability Officer

Liberty Mutual. INSURANCE

- **Category:** Insurance
- **Total Revenues:** US$43.2 billion
- **Headquarters:** Boston, MA
- **Employees:** 49,000

- **Signatory Status: NA**

- **Reaching 29 economies around the world**
- **Established partnership to develop 3,000 MW of domestic solar power in the U.S.**
- **$45.9 million in community investment spend**
- **152,574 employee hours spent volunteering**
- **31% women on Board**
- **100% Score in Human Rights Campaign's Corporate Equality Index**

Lloyds Leading for Good

Lloyds Doing Good

Lloyds Being Good

Lloyds Banking Group

Creating a Sustainable and Inclusive Business

"A sustainable and responsible approach to doing business is integral to everything we do. We aim to Help Britain Prosper by operating as a responsible, sustainable and inclusive Group. This underpins our purpose and strategy."

Lloyds Banking Group

Key Highlights

- ☐ **Sustainable Investment Decisions.** Climate change factors included in every investment decision
- ☐ Low Carbon Economy. Helping the transition to a sustainable low carbon economy.
  - *5.1m homes powered by Lloyds Banking Group support of renewable energy projects*
  - *Funded energy efficiency green loans in 17.4 million sq. ft. of commercial real estate*
  - *Supported a £1 million cashback offer on pure electric vehicle purchases for customers*
- ☐ **Home Ownership.** Helping Britain get a home.
  - *£13.8bn lent to first time home owners*
- ☐ **Driving Savings.** Helping people save for the future.
  - *£37.1bn growth in retirement assets held*
- ☐ **Enterprise and Entrepreneurship.** Supporting businesses to start up and grow.
  - *£3.4bn in lending growth to SME clients*
- ☐ **Social Impact.** Tackling social disadvantage across Britain.
  - *2929 charities supported with £100m commitment*
  - *£6.4 bn funding support for the social housing sector*
  - £10 million investment in the Lloyds Bank Advanced Manufacturing Training Centre to support 3,500 apprentices, graduates and engineers to be trained by 2024.
- ☐ **Digital Inclusion.** Building capability and digital skills.
  - *738,000 people and SMEs trained in digital skill, including internet banking*
- ☐ **Diversity.** Championing Britain's diversity.
  - *36.8% of senior firm roles held by women and 10.2% of senior firm roles held by Black, Asian and minority ethnic colleagues in 2019*
  - *Published a Race Action plan in 2020 to further drive change within the organisation.*

LLOYDS BANKING GROUP

- **Category: Bank**
- **Total Revenues (2019):** US$23bn
- **Headquarters:** London, UK
- **Employees:** 63, 069

- **Signatory to the UN-PRB, UN_PRI, The Equator Principles, TCFD, UN Declaration of Human Rights, UNGC et al.**

- **>US$6bn** of green finance to business since 2016
- Target to reduce the emissions financed by >50% by 2030 and our operational carbon footprint by 80% by 2050
- 2030 operational carbon reduction target met in 2019, having reduced emissions by 63% since 2009
- **US$2.6bn** Clean Growth Finance Initiative to support business investment in climate change
- **58%** of the workforce and 30% of the board of directors are women

Morgan Stanley Leading for Good

Morgan Stanley Doing Good

Morgan Stanley Being Good

Morgan Stanley

Commitment to help prevent, reduce and remove 50 million metric tons of plastic waste by 2030

"We are committed to leveraging our best thinking; our broad capital markets reach; our relationships with innovators, entrepreneurs, corporations and governments; and our ongoing commitment to our communities to address this daunting challenge at a systemic level"

Tom Nides, Vice-Chairman Morgan Stanley

Key Highlights

Morgan Stanley Plastic Waste Resolution to to prevent, reduce and remove at least 50 million metric tons of plastic waste entering our rivers, oceans, landscapes and landfills. Major commitments to date include (among others):

- Underwriting bonds to reduce plastic waste, and creating structured and other products that help address the plastic waste challenge.
- Developing products which consider the risks and opportunities from plastic waste, across both public and private market funds,
- Financing improvements to collection, recycling and disposal systems for plastic waste.
- Offering portfolio strategies tailored to influence the SDG goals on ocean conservation
- Supporting entrepreneurship, research, technologies and start-ups focused on plastic waste reduction

"The Plastic Waste Resolution continues that commitment by supporting research and thought leadership to enable us to better understand the challenges around plastic waste and the potential solutions; creating sustainable investing strategies to direct capital toward new solutions as they evolve; and encouraging capacity building of the entrepreneurs, innovators and future leaders of finance to help address this issue at a systemic level."

Audrey Choi, Chief Sustainability Officer

Morgan Stanley

- **Category: Diversified Bank**
- **Annual Revenues (2019) :** US$41.4bn
- **Headquarters:** New York, USA
- **Employees:** 60,431
- **Signatory to UN-PRI, GIIN, Equator Principles, US Alliance for Sustainable Finance, et al**
- **US$250bn** for low carbon solutions by 2030
- Dedicated Sustainability Research team reporting on ESG factors
- **Issued US$24bn** in green, social and sustainability bonds in 2019
- **39%** of employees are women
- **27%** of company directors are minorities

Ninety One Leading for Good

Ninety One Doing Good

Ninety One Being Good

Ninety One

Providing Growth Capital, Expertise and Support to Fuel Africa's Long-term Development

"The private sector has a crucial role to play in unlocking the conditions for the long-term, sustainable development of Africa's infrastructure. A major initiative of its kind globally, Emerging Africa Infrastructure Fund ("EAIF") provides growth capital, expertise and support to projects, with the aim of stimulating economic development, encouraging growth and employment, and fuelling Africa's long-term development. "

Henrik du Toit, CEO and Founder, Ninety One

Key Highlights

Committed to ESG across investment strategies and investing for a better tomorrow

☐ **Infrastructure building** aimed at providing the financing for sustained economic stability, business confidence, job creation and poverty reduction

Emerging Africa Infrastructure Fund, managed by Ninety One, has supported nearly 80 infrastructure projects across nine sectors in over 21 African countries, with portfolio value expected to reach and exceed US$1bn

☐ **Pilot World Wildlife Fund and Ninety One Climate and Nature Sovereign Index**, will serve as a foundation upon which all stakeholders can accelerate their efforts to safeguard the natural world and build the resilience of the global economy

Uses real-time and forward-looking indicators to assess long-term risks relating to climate change and nature loss, at a country level

☐ **Protect South African production** and preserve jobs and protect permanent loss of equity value through a private sector fund

Ninety One (in association with Ethos Private Equity) is currently fundraising for an SA Recovery Fund with the intention of supporting the country following the effects of the COVID-19 pandemic

Ninety One

- **Category: Asset Management**
- **Total Assets/AUM:*** US$153bn
- **Headquarters:** London, UK/Cape Town, South Africa
- **Employees:**** 1,165
- **Signatory to the UN-PRI, Institutional Investors Group on Climate Change, IGCN, et al**
- **Member of the Impact Investing Institute, et al.**
- **49%** of employees and 50% of the board of directors are women
- Comprehensive employee wellness, mental health, and mindfulness programs
- Community outreach focused on conservation and community health and education

*AuM as of 30/9/20, all other data as of 31/3/20

**Employees figure shown excludes Silica

Nomura Leading for Good

Nomura Doing Good

Nomura Being Good

Nomura Holdings

Value Creation by Creating a Sustainable Society

"Our management vision is to achieve sustainable growth by helping resolve social issues. Nomura's business is built on the trust of our clients and all stakeholders. We believe that the sustainable development of society as a whole will help drive enhancement of our corporate value. We will continue to serve our clients with pride, and work to expand the scope of our business and realize sustainable growth." *Kentaro Okuda, President and Group CEO*

Key Highlights

Embed solutions in partnership with customers to realise a sustainable future and sustainable business growth across all business lines

☐ **Nomura Wholesale** is focusing on

- *Underwriting green, sustainability and social bonds globally*
- *Providing sustainability, advisory, thought leadership and products*

☐ **Nomura Asset Management** is focusing on

- *Integrating ESG factors into asset management processes*
- *ESG product origination (ESG funds)*
- *ESG investment dialogues with the corporate sectors*

☐ **Nomura Greentech** providing sustainable M&A and advisory services

- *$21bn M&A deal volume to date*
- *US$4bn capital raised to date*
- *130 transactions completed*

☐ **Nomura Research** provides ESG insight on the global landscape and in conjunction to academic research partnerships

"Our ESG Committee is a management-level decision-making entity that plays an integral role in Nomura Group's sustainable growth strategy and our aim to contribute to resolution of social issues."
Akiko Sonobe, Head of ESG Department

NOMURA

- **Category: Bank/Investment Bank**
- **Total Revenues (2020): US$18.6bn**
- **Headquarters:** Tokyo, Japan
- **Employees:** 26,629
- **Signatory to and/or participation in UN Global Compact, UNEP FI, UN-PRI, UN-PRB ,ICMA, et. al**
- **C.US$9bn** green, social and sustainable bonds underwritten in FY20
- Future Generations" initiative linking with NGOs and community organisations
- Nomura Research Center of Sustainability established
- Multiple ESG Funds offered with total sustainable investment ratio of 73%
- **US$4bn** of capital raised for green and clean-tech projects

Nordea Leading for Good

Nordea Doing Good

Nordea Being Good

Nordea Group AB

Sustainable and Green Products Innovation

"Sustainability is integral to what we do at Nordea – as a company, in our financing, in our investments, in our advice. It enables Nordea to be a safe and resilient bank for our clients and customers. We are continuously developing our offerings to enable our clients and customers to make conscious sustainable choices. *Frank Vang-Jensen, President and Group CEO*

Key Highlights

Shift to sustainable investments addressing carbon footprint, shifting c.US$3bn (30 billion Swedish kronor)

☐ **Sustainable sources of pension returns** are aimed at providing returns from a more sustainable source for pensioners

400,000 customers now have a more sustainable saving for their pension.

☐ **Launch of sustainable funds.** 11 new sustainable funds, 35% increase in total sustainable funds offered, including

Stars funds (ESG), proactively selecting high-quality ESG companies

Global Climate and Environment Fund, focused on companies which, through their climate solutions, are changing the world for the better

Sustainable Balanced funds, incorporating equity and fixed income

Global Gender Diversity Fund, investing in companies that actively seek to improve the gender balance

"Through new products and solutions, we have brought sustainability closer to the customer and created a better dialogue and customer experience,"
Snorre Storset, Head of Asset & Wealth Management, Group Leadership Team

"I am very proud that Nordea is one of the founding banks for the Principles for Responsible Banking, but I am even more proud to see how we enable and inspire our customers to make sustainable choices,"
Anders Langworth. Head of Group Sustainable Finance

Nordea

- **Category: Bank/Investment Bank**
- **Total Revenues (2019) :** US$10.1bn
- **Headquarters:** Helsinki, Finland
- **Employees:** 31,648
- **Signatory to the UN-PRB, UN Global Compact, et al.**
- **Co-author of the UNEP Finance Initiative Principles for Responsible Banking and Collective Commitment to Climate Action**
- **US$3.9bn** in green bonds issued (2019)
- Launched Green loans, Green Car Loans, Green Leasing and Green mortgages
- **US$20bn** in ESG Funds AuM
- **51%** of workforce and 40% of board of directors are women

Norther Trust
Leading for Good

Northern Trust
Doing Good

Northern Trust
Being Good

Northern Trust Asset Management

Sustainable Investing Strategies and Products

"We believe organizations with a demonstrated commitment to corporate social responsibility and sustainable investing create greater value for shareholders and key stakeholders"

Michael O'Grady, President & Chief Executive Officer

Key Highlights

Portfolio companies' long-term financial returns are connected to their strategic, environmental, social and governance performance; ESG analytics can complement quantitative or fundamental investment techniques so as to mitigate risks or capture new opportunities.

☐ **Sustainable strategies incorporating ESG**

US$107 billion of assets under management *in sustainable strategies incorporated ESG criteria through values-based and norms-based exclusions, best-in-class security selection and full portfolio integration*

☐ **Launch ESG specific funds**

9 new ESG funds *launched in 2019 bringing the firm's total fund offering to nearly 40; currently serving as the largest provider of ESG Index UCITS funds in Europe*

☐ **ESG themes recognized in top-of-house Capital Market Assumptions** guiding return forecasts for the next 5 years and informing asset allocation guidance

Staking Out Climate Change and Reimagining Capitalism called out as key environmental and social themes over the last 2 forecasting cycles

"We view the integration of environmental, social and governance factors in investment analysis as a key part of our responsibility as an asset manager. We continue to advance our capabilities including development of a forward-looking, historically aware Sustainable Investing score in 2020."

Bob Browne, Chief Investment Officer

NORTHERN TRUST

- **Category: Asset Management**
- **Total AuM (2020) :** US$1,097bn
- **Headquarters:** Chicago, USA
- **Employees:** 20,154

- **Signatory to the UN-PRI, SASB, Council of Institutional Investors, UN Global Compact et al**

- **Diversity, Equity &Inclusion** embedded at all levels, with women and ethnic minorities representing more than half of the Board of Directors
- **US$17m** in charitable giving p.a.
- Supplier diversity program spending **$160m** in 2019 with minority, women, veteran LGBTQ+, disabled and small business enterprises
- **US$30bn** low carbon and climate resilient portfolio AuM

OMERS
Leading for Good

OMERS
Doing Good

OMERS
Being Good

OMERS

Driving Sustainability and Championing Inclusion & Diversity within the Investment Portfolio

"Our vision is to be a leader in sustainable investing, to better protect and generate superior value for members over the long term. We support accelerators of change and partnering with our portfolio companies, always looking for new opportunities, to grow sustainably."

OMERS Website, Sustainable Investing

Key Highlights

Sustainable investing policy focused on Integration (of ESG factors), Engagement (of portfolio companies), Collaboration (with like-minded institutions) and Adaptation (to continually improve strategy) in order to drive tangible results across portfolio, including:

- ❑ **Encouraging gender balance: Targeting 30% women on boards and executive management** of public listed companies (S&PTSX) through collaboration with other Canadian institutions in the "30% Club"
- ❑ **Driving carbon reduction: 30% reduction in carbon footprint in real estate portfolio** targeted by 2025 (relative to 2015 baseline), with 9% reduction achieved in the first three years
- ❑ **Focus on renewables: Investments in renewables, low-carbon and next-generation** energy projects
- ❑ **Climate change analysis: Undertaking portfolio carbon footprinting exercise and exploring** scenario analysis to determine resilience to the impacts of climate change

"The world is changing and so is our role as an investor. To protect our members' retirement, we have a duty to think long into the future and find and grow responsible and sustainable businesses and services, while investing in the highest quality assets around the globe - those responsible, sustainable businesses and services that think about, and are built for the future."

Satish Rai, Chief Investment Officer

OMERS

- **Category: Asset Management**
- **Total AUM (2019) :** US$83bn
- **Headquarters:** Toronto, Canada
- **Employees:** 3,000

- **Member of the TCFD, Investor Leadership Network, Global Risk Institute, and Carbon Disclosure Project**

- **US$3.3bn** invested in clean energy
- **30% women on boards and executive management goal for public companies**
- **30% carbon reduction by 2025 targeted for real estate business**
- **Excludes investments civilian firearms and tobacco**

Putnam Leading for Good

Putnam Doing Good

Putnam Being Good

Putnam Investments

Forward-looking Sustainability Research

"Putnam believes a sustainable global economy is essential to the creation of long-term value. We integrate analysis of relevant ESG factors into our research and investment decision-making processes within our equity and corporate credit teams. "

Putnam Investments

Key Highlights

Sustainability influences investment process as well as corporate policies and values.

Extending Putnam's fundamental research strength to context-specific, forward-looking ESG sustainability, and impact analysis

☐ **Investment Themes related to SDG Goals** including:

- ***Health and well-being****, including mental health, access to care, and nutrition*
- ***Reduced inequalities and justice****, including gender and racial equity*
- ***Decent work and no poverty,*** *including financial access, inclusion, and financial*
- ***Affordable and clean energy,*** *including energy transition technologies, service innovations, and access*

☐ **Development of dedicated sustainable investing products**

- ***c.US$6.0bn*** *combined assets as of September 30, 2020 in the Putnam Sustainable Leaders and Putnam Sustainable Future strategies*

☐ **Active contributions to the field of practice**

- ***Engaged ownership and dialogue*** *with companies, holding over 3,000 meetings annually*
- ***Research*** *thought leadership*
- ***Collaboration*** *with aligned organisations.*

"We believe that active management has the potential to add context and value to sustainable investing. Current conditions illuminate new opportunities and new solutions that contribute to a thriving society, planet, and economy."

Katherine Collins, Head of Sustainable Investing

- **Category: Asset Management**
- **Total AuM (2019) :** US$179bn
- **Headquarters:** Boston, USA
- **Employees:** 1,700
- **Signatory to the UN-PRI, SASB, et. Al**
- **US$6.0 bn** of dedicated sustainable product AuM
- **58%** of new hires are women (2020)
- **26%** of new hires are minorities (2020)

SEB Group Leading for Good

SEB Group Doing Good

SEB Group Being Good

SEB Group

Developing New Sustainability Financing Products

"As one of the innovators behind green bonds, SEB has an ambition to drive the green financing market… SEB [was] the 7th largest underwriter [of green bonds] globally in 2019 and the 4th largest underwriter globally since inception"

SEB Sustainability Report 2019

Key Highlights

SEB is a pioneer of green bonds and other sustainability financing products like Blue Bonds:

❑ **Designed the Green Bond concept** in 2007-08 in partnership with the World Bank in response to increased investor demand for engagement in climate-related opportunities

❑ **US$263bn market for Green Bonds (2019)**, accounting for the majority of financing for renewables globally

❑ **4th largest underwriter of Green Bonds since inception** and 7th largest underwriter globally in 2019

❑ **US$5bn mutual fund (its largest) converted to sustainable mutual fund** managed according to SEB's sustainability criteria, focusing on companies that actively reduce climate impact

❑ **US$235m "Blue Bond" (first of its kind) arranged** in 2019, issued by the Nordic Investment Bank, earmarked for projects aimed at reducing pollution in the Baltic Sea

"As the effects of climate change become more tangible, our customers' demand for sustainable products and services is increasing… We innovate new sustainable financial services, we provide advice and investments, and we support our corporate and institutional customers in their transition to more sustainable business models."

Marcus Wallenberg, Chairman

- **Category: Diversified Bank**
- **Total Assets (2019):** US$332bn
- **Headquarters:** Stockholm, Sweden
- **Employees:** 15,691
- **Signatory to the UN-PRI, UN Global Compact, TCFD, et al.**
- **US$7bn** of green bonds under-written in 2019, c.4% market share globally, 32% in the Nordics
- **US$4.9bn** mutual fund managed according to sustainability criteria
- **US$1bn** across 7 microfinance funds reaching over 25m entrepreneurs in 59 countries
- **US$176m** of green mortgages issued annually
- **56%** of employee base is comprised of women

Schroders Leading for Good

Schroders Doing Good

Schroders Being Good

Schroders

Committed to Delivering Positive Outcomes for All

"The ebbing of the macro tide will demonstrate the importance of rigorous analysis on environmental, social and governance (ESG) in separating out winners from losers … We are committed to developing proprietorial tools and frameworks that are evidence-driven, enable systematic analysis, and draw on the expertise of our financial and sustainability analysts."

Peter Harrison, Chief Executive Officer

Key Highlights

Commitment to 100% ESG integration across all managed assets by the end of 2020. We believe that systematically incorporating ESG risk and opportunities into the investment process will lead to more favorable long-term risk adjusted returns for our clients.

Focus on active ownership and stewardship. As active owners in the companies in which we invest, we regard stewardship as integral to our investment process. Our dedicated Sustainable Investment team undertook over 1,750 specialist ESG engagements with companies in 2019 across 57 countries globally.

The development of proprietary investment tools that enable us to quantify and measure ESG risks and opportunities. Schroders has developed a platform called impactIQ which enables investors to understand the direct impact their investments are having on society and the environment.

Commitment to Impact investing. Schroders acquired the majority stake in BlueOrchard. BlueOrchard is the pioneer in microfinance and impact investing. We have recently launched a $140mln COVID-19 relief fund. The fund will support micro-entrepreneurs and small companies in the developing world with the aim of reducing poverty and inequality.
Firm commitment focused on driving progress and improving futures. In 2019, Schroders' corporate revolving credit facility was converted into an ESG-linked facility, an innovative move which underlined the firm's commitment to sustainability and in 2020 the firm became a signatory to the UN Global Compact.

"It is exciting to see the sustainable investment conversation move from values, to value-creation. US investors are increasingly convinced that there is no trade-off between performance and sustainable investing and in fact, many social issues will be a driver of returns, today and in the future"

Marc Brookman, CEO North America

Schroders

- **Category: Asset Management**
- **Total AUM (2020) :** US$693bn
- **Headquarters:** London, UK
- **Employees:** 5,673

- **Signatory to the UN-PRI, UN Global Compact, et al.**

- **US$89bn** in ethically screened assets managed
- **A+ rating** received for strategy and governance by UN-PRI
- **40%** of workforce and board of directors are women
- **3,400** volunteer hours contributed by employees during working hours in 2019
- Sustainable Investment Team providing multi-sector, multi-region research

State Street Leading for Good

State Street Doing Good

State Street Being Good

State Street

Driving Sustainable & Inclusive Value with ESG

We focus on ESG across four different dimensions: as an asset servicer, helping clients understand the ESG profile of their portfolio holdings, so they can take action; as an asset manager helping asset owners reduce their ESG risks while embracing ESG investing opportunities and engaging with boards on material ESG issues; as a responsible corporation focused on long-term value creation; and as an engaged industry and community partner amplifying our ESG impact.

Key Highlights

☐ **State Street Global Advisors,** the third-largest investment manager in the world and major provider of ETF and other index-based investment strategies, engages with the entire universe of listed companies and their boards on ESG best practices and reporting, leveraging their proprietary R-Factor™ scoring system based on SASB's materiality framework. It also offers stand-alone ESG investment strategies as well as advises the world's largest and most sophisticated investors on how to integrate ESG across their entire investment programs.

☐ **As one of the world's largest asset servicers** we provide analytics for analysing the ESG footprint of an entire investment program across different managers, jurisdictions, and data sources.

☐ **As a responsible corporation,** State Street has become carbon neutral and is focused on improving the gender, racial, and ethnic diversity of our company and working to improve the resiliency of our communities.

☐ **We seek to amplify our impact** by working with groups like SASB, TCFD, UNEP FI, PRI, Climate Action 100+ and the Council for Inclusive Capitalism

"State Street is committed to promoting a more sustainable and inclusive form of capitalism, because we believe it is the best way over the long term to serve our mission of helping to achieve better outcomes for the world's investors and the people they serve.

Ron O'Hanley, Chairman & CEO

State Street

- **Category: Asset Servicing and Asset Management**
- **Total AUC/A (Oct 20):** US $36.6T
- **Total AUM (Oct 20):** US$3.1T
- **Headquarters:** Boston, USA
- **Employees:** 39,130

- **Signatory to PRI, UN Global Compact, SASB, TCFD**
- **PRI Leaders' Group member**

- **US$381bn** in ESG-integrated AuM (Dec 19)
- **Operational carbon neutrality** by YE 2020
- **US$21m** in annual CSR spending (Dec 19)
- **82,897** volunteer hours contributed by employees in 2019

UBS
Leading for Good

UBS
Doing Good

UBS
Being Good

UBS

Providing Finance and Expertise for the SDGs

"At UBS we see a strong business rationale for catering to the growing importance of and the demand for sustainability – as embodied by the SDGs. We are committed to playing a leading role in providing both finance and expertise to meet these ambitious global goals "

UBS Sustainability Report 2019

Key Highlights

Comprehensive commitment to sustainability across the business

- ❑ **5 SDGs prioritised for targeted action,** with clear objectives set and US$3.9bn of client assets invested in 2019 in SDG impact investments
- ❑ **US$488bn of assets in core sustainable investments,** or 13.5% of total, exceeding the goal set for 2020 one year early, with US$9.4bn invested in 100% sustainable investments last year
- ❑ **41% drop in carbon related assets** on balance sheet y-o-y to US$1.9bn (or 0.8% of total)
- ❑ **Pioneer in industry collaboration** efforts as a founding signatory of the UN-Principles of Responsible Banking and the UN Global Compact
- ❑ **Digital currency developed,** with Fnality project for digital settlement of transactions in five major currencies – leading consortium f c.15 global banks

"in 2019 we again demonstrated our commitment to advancing sustainability in our firm, for and with our clients and in our industry. We are proud of what our firm has achieved during the course of the past year – and of our ambitious plan ging forward"

Alex Weber, Chairman

UBS

- **Category: Diversified Bank**
- **Total AuM (2019):** US$2.6 tn
- **Headquarters:** New York, USA
- **Employees:** 69,996

- **Signatory to the UN-PRB, UN Global Compact, TCFD, et al.**

- **US$488bn** in sustainable investment AuM
- **0.8%** of banking balance sheet n carbon related assets (down 40% y-o-y)
- **US$3.9bn** in SDG impact investments
- **US$89.5m** raised for charity
- **US$45.2m** in CSR direct spending
- **38%** of employees volunteering

Wellington Management
Leading for Good

Wellington Management
Doing Good

Wellington Management
Being Good

Wellington Management

"Partner-Invest-Engage" Approach to Sustainable investing

Our long-standing commitment to sustainable investing and environmental, social, and governance (ESG) engagement is grounded in the belief that sustainable practices are competitive advantages and value drivers.

Wellington Sustainability Report

Key Highlights

The 'Partner-Invest-Engage' programme takes a holistic approach to investments

☐ **Partner - Insights and Knowledge Based.** Partnering with organizations at the forefront of sustainability, industry leaders, the scientific community and and academia, on a range of topics with the intention of deepening sustainability insights.

☐ **Invest - Impact, Thematic and ESG Investing.** Investing strategies to deliver competitive returns across impact investing, thematic investing and ESG integration, with

- *__1 ESG approach__ focused on identifying current and future global stewards of ESG*
- *__3 Investment themes__ in climate strategy, emerging markets development, and low-carbon solutions*
- *__11 impact focus areas__ across life essentials, human empowerment and environment*

☐ **Engage - Influence Behaviour.** Ongoing engagement to assess risks and opportunities, and influence corporate behavior and enhance value through active ownership and triangulating research

"We also think active managers can guide companies to better long-term outcomes and financial performance by helping improve ESG practices – for example, encouraging board diversity and independence or advocating better health and safety practices."

Wendy Cromwell, Director, Sustainable Investment

WELLINGTON MANAGEMENT®

- **Category: Asset Management**
- **Total AUM (2020) :** US$1,000bn
- **Headquarters:** Philadelphia, USA
- **Employees:** 830

- **Signatory to the UN-PRI, GIIN, UN Global Compact, et al.**
- **Member of Ceres Investor Network, Climate Action 100+, ICGN, et al.**

- **Over 60%** of employees used at least one volunteering day in 2018
- **Operational carbon neutrality** by YE 2020
- **33%** of workforce are women

III. REPORT OBJECTIVES, RESEARCH PROCESS AND METHODOLOGY

Objectives

This report examines the initiatives of a representative group of leaders of the finance industry drawn across geographies and across asset classes, utilizing the framework outlined below to determine the extent to which they are a 'force for good', with two primary objectives in mind:

I. **Establish the Common Ground.** This report seeks to, firstly, understand the 'common ground' i.e., the emerging initiatives and practices that are establishing a de facto market standard across ESG, sustainability, employee, community and broader stakeholder engagement. The objective is to reveal the degree to which finance industry leaders are becoming a 'force for good', as defined in the framework, with a set of common objectives, practices, and implied values. In addition, it allows for an indication of the extent and nature of the potential changes underway to the system of capitalism itself. The first level of impact of the industry, predominantly its decisions as an allocator of capital to a set of criteria, are classified as 'being good' and 'doing good', alongside any minor 'leading for good' initiatives too, as defined in the framework laid out earlier in this report.

II. **Identify Ground-Breaking Initiatives and Aspirations for Greater Impact Change.** This report also seeks to identify the individual initiatives by industry leaders which have the potential to make a disproportionate systemic change. In addition, the report looks at the direction of change to identify the emerging big ideas and themes that are indicative of more macro and systemic changes based on the trendline of current initiatives and the ambitions and aspirations of the industry's leaders. This part of the study indicates the second level of impact of the industry as a direct actor seeking to change the world for the common good.

The purpose of this report is not to launch or endorse any specific new initiatives, nor to present a benchmark or comparison of the institutions with each other, but rather to answer the broader question of whether the financial industry as a whole is establishing a common ground, whether it is already, or to what extent is becoming a 'force for good' in the world, and whether the industry is fulfilling its potential of driving systemic changes that helps to create a more fit-for-purpose finance industry as well as catalyzing capitalism to address the key challenges and opportunities facing the world today in a period of historic change.

Research Process and Methodology

Creating the 'Force for Good' Initiatives Dataset

This report utilizes a detailed dataset of initiatives developed 'organically' across the categories of the framework described above in this report compiled using publicly available information for 63 leading financial institutions listed in Annex 1.2. Together, these institutions represent US$102 trillion of global assets (both owned and managed[37]), or c.29% of the world's total, split across banks, asset managers and insurance companies. These companies have been selected to provide as broad and representative a sample as possible for the leaders of the global finance industry across major geographic regions,[38] and asset classes (see tables below), such that their activities and initiatives can be evaluated against the idea of being a 'force for good' and provide an important indicator of the progress of the industry as a whole in this regard.

The position and visibility of those identified as leaders in the finance industry points provides a sense of the direction of travel for the industry. It is important to note that the companies included do not represent an exclusive or exhaustive list of institutions leading on matters of sustainability, and that by nature of the industry's size and diversity, many companies that may well be leading in this regard have not been included in the interests of having a more representative sample. Further, while the dataset includes companies of a range of sizes, the report has focused on visible companies with large public footprints. Given the many smaller private institutions that populate the industry and have much lower public visibility, the overall scope and impact of the industry's activities in terms of ESG and sustainability is likely significantly larger than what is outlined in this report.

The methodology to assemble the 'Force for Good' Initiatives dataset was as follows:

- **Identification of Finance Industry Institutions.** Leading companies from the finance industry were identified across all key regions and key segments including banking (including commercial banks, investment banks and diversified banking institutions), asset management (including traditional mutual fund asset managers, government and private pension funds, sovereign wealth funds and hedge funds) and insurance (including life, general and re-insurers and diversified institutions). Based on a preliminary screening, the 63 institutions listed in Annex 1.2 were selected for further data collection based on the following factors:

  - **Scale and Industry Leadership**. Institutions were selected based on their total assets (including both owned assets on the balance sheet and client-owned assets under management or supervision) in order to identify a group of industry leaders that represented as broad a sample of the total assets globally as much as possible.

  - **Availability of Public Information**. Institutions were also identified for further data collection based on an initial assessment of the extent of publicly available information on their initiatives across ESG, sustainability and stakeholders (Note: in certain cases, institutions with limited public information which were willing to engage as Active Participants in the projects were identified for further data collection).

  - **Regional and Asset Class Representation**. Institutions were selected for further data collection by distributing them across regions and asset classes. In cases where institutions had businesses across multiple geographies and asset classes, they were listed in their primary geography (where their headquarter is based) and primary asset class (usually accounting for the majority of total assets). It is important to note that certain regions such as Latin America and the Middle East are underrepresented in the sample due to the limited data availability. Notably, Chinese financial institutions have not been included in the study due to the relative concentration of assets with large state-run banks and the lack of publicly-available data on their activities in terms of ESG, sustainability and stakeholder engagement.

- **Sample Representation** was determined by aggregating the total assets and AUM for all institutions (with assets greater than US$1 million) in the respective assets classes) based on data from S&P CapitalIQ. Additional data on government pension funds and sovereign wealth funds was sourced from Willis Towers Watson (for government pension funds) and the Sovereign Wealth Fund Institute. Total asset figures were compiled for the most recent period available (in most cases either as of 31st December 2019 or 30th June 2020) and, at c.US$350 trillion, and are in line with other publicly available estimates of total financial assets globally (which range from US$300-400 trillion).

Figure A.1: Total Assets and AUM of 63 Institutions in the 'Force for Good' Initiatives Dataset

	Banks	Asset Managers	Insurance	Total
Americas	**23**	**27**	**6**	**56**
EMEA	**19**	**5**	**9**	**33**
Asia	**9**	**3**	**1**	**13**
World Total (excl. China)	**51**	**36**	**16**	**102**
China				
World Total	**51**	**36**	**16**	**102**

Figure A.2: Total Global Assets and AUM[39]

	Banks	Asset Managers	Insurance	Total
Americas	**47**	**55**	**21**	**124**
EMEA	**63**	**24**	**30**	**117**
Asia	**30**	**11**	**11**	**51**
World Total (excl. China)	**140**	**90**	**62**	**292**
China	**48**	**5**	**5**	**58**
World Total	**5**	**95**	**67**	**350**

Figure A.3: Dataset Representation by Region and Financial Services Segment

	Banks	Asset Managers	Insurance	Total
Americas	**49%**	**48%**	**29%**	**45%**
EMEA	**30%**	**23%**	**30%**	**28%**
Asia (excl. China)	**30%**	**31%**	**7%**	**25%**
World Total (excl. China)	**36%**	**40%**	**25%**	**35%**
China				
World Total	**27%**	**37%**	**24%**	**29%**

Active Participants in the Project

Of the 63 companies in the 'Force for Good' Initiatives data set, 30 companies listed in Annex 1.1 are 'Active Participants' that have actively contributed to the report's underlying dataset, providing additional information across the areas outlined above, and engaged directly, where required, with the project team to describe further their key initiatives which might have the potential to deliver systems level changes, as well as their organizational mission and goals. Active Participants have been identified from various regions and industry segments within the finance industry and selected based on a combination of factors including:

i. **Scale and Influence.** Industry leaders across segments and regions have been selected given their significant scale and their pivotal role in shaping global asset allocation. Most of these industry leaders are also transnational businesses (often generating the majority of their business outside their home countries) which therefore can make an impact across the world, with several of these leaders also being diversified across various industry segments.

ii. **Established Commitment.** This subset has also been selected based on the level of their organizational commitment to ESG, sustainability and/or stakeholder needs, in order to ensure that there is sufficient track record and information on these issues to enable an assessment of impact and whether the business, and the industry as a whole, is helping to drive holistic change.

iii. **Willingness and Capacity to Engage.** Active Participants have been selected based on their ability and willingness to engage with the project team at the senior management level in order to (a) provide additional information on their initiatives and, (b) identify major initiatives with the potential to deliver systems level changes.

These 30 Active Participants represent c.US$58 trillion of global assets (and AUM), or c.17% of the global financial industry on their own. They are spread across industry segments and regions with a greater concentration of Active Participants in North America as a result of the criteria outlined above and particularly given the US is the largest financial market globally. However, many of these institutions have significant businesses outside the US (often larger than their domestic businesses). There are also a relatively larger proportion of asset managers amongst Active Participants given that the dataset considers both owned assets and assets under management, and because these institutions play an outsized role in shaping the global capital allocation.

The level of engagement by Active Participants varied from case to case. All Active Participants provided information, reviewed draft materials, and signed off on the data pertaining to their respective companies, which was initially gathered by the project team. They also reviewed, modified (adding new information to) and signed off on the company cases studies in Chapter 3 and Annex II. In many cases, company executives engaged actively with the project team to describe their sustainable development strategies and major initiatives. In most cases, initial project support came from the companies' senior management, including chief executive officers and chief investment officers, with day-to-day engagement carried out by executives in charge with sustainability.

It is important to note that Active Participants have not been asked to endorse the findings of this report, and that their endorsement was not a condition or prerequisite of their participation. The conclusions, insights, foresights and any inferences and claims drawn from this public information are solely those of the authors and do not represent the views of Active Participants.

Data Collection Methodology

Given that each organization has different objectives and captures this information differently, the dataset and data collection template has been built in an *organic* manner as a register to capture all key activities rather than within the confines of a predetermined checklist, and this has enabled the capture of a greater breadth and diversity of initiatives across organizations, with qualitative and quantitative information, than would otherwise have been possible.

- **Core Data Sources.** For the selected institutions, all publicly available information on initiatives relating to ESG, sustainability, climate change, stakeholder engagement (including employee and corporate social responsibility programs) was assembled and reviewed. These sources include annual reports to shareholders, ESG and sustainability reports, ESG policies and frameworks, company websites, public statements by company leaders, amongst others.

- **Data Collection Methodology.** From the above sources, information on the initiatives was extracted into an 'organic' template (rather than a normative form) which was designed to capture all publicly available information on these initiatives irrespective of how each institution captured it, more akin to a register. The key categories in the information template are provided below. *For Active Participants*, the information templates were shared with the respective institutions who reviewed them for accuracy and provided additional information. Each of the initiatives was either directly sourced to a public document or to direct inputs from Active Participants.

- **Data Analysis.** The information from the templates was then aggregated into a common database in order to complete the analysis which is shown in this report.

- **Interview and Discussion.** Multiple discussions were held where appropriate with the objectives of clarification and enhancing accuracy, better understanding the initiatives and exploring the extent and direction of changes implemented. These were held on an exception basis.

Key Categories of Data Captured

The information template for each of the institutions listed in Annex 1.2 captures information on initiatives across two sections. Active Participants in the project (listed in Annex 1.1) completed both Section 1 and 2 below, while all the information outlined in Section 2 was collected for all 63 institutions in the dataset. The key information in each of these sections is shown below:

Section 1: Systems Level Changes; The Big Ideas and Initiatives and What Your Organization is Pursuing to Push the Boundary of Positive Change

- Systems Change Initiatives that the institutions believe will "change the system" at various levels (individual, community, industry, national/regional and global) in a manner that addresses key issues

- Top five initiatives which the institution is doing (or would like to do) which it believes will make a difference in the world

Section 2: Data Supporting the Breadth of "Force for Good" Policies, Practices and Initiatives

Part A: Environmental, Social and Governance (ESG) Overview

- ESG policy, framework and public reporting
- ESG Exclusion criteria
- ESG Risk Factors considered in screening
- Sector-specific ESG standards
- ESG oversight and governance
- ESG integration with core business processes
- Governance policies and training
- ESG associations and other ESG initiatives

Part B: Inclusion, the Sustainable Development Goals (SDGs) and Climate Change

- Total customers served
- Financial inclusion in low-income regions and customer segments
- Jobs supported (direct and indirect)
- Contribution to the SDGs (focus, example of initiatives and impact)
- SDG-linked goals
- Other SDG or inclusion related initiatives
- Greenhouse gas protocol accounting and reporting standards and carbon footprint data
- Climate change, sustainability and inclusion related associations
- Environmental sustainability financing across different asset types and products
- Climate change and sustainability initiatives

- **Part C: Employee, Community and Stakeholder Engagement and Contribution**
  - Women's empowerment including information on policies, % of employees and leadership
  - Minority empowerment including information on policies, % of employees and leadership
  - Employee policies and programs including diversity and inclusion, wellness, mental health and mindfulness
  - Corporate social responsibility (CSR) spending and initiatives
  - Extent of employee participation in programs
  - Employee and community associations
  - Employee or community initiatives and their impact
  - Formal adoption of multi-stakeholder focus
  - Stakeholder engagement initiatives

IV. REFERENCES AND NOTES

References.

The terms country and economy as used in this Report also refer, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgment about the stage of development reached by a particular country or area in the development process. The major country groupings used in this Report follow the classification of the United Nations Statistical Office:

The boundaries and names shown, and designations used on the maps presented in this publication do not imply official endorsement or acceptance by the United Nations.

The following symbols have been used in the tables:
• A slash (/) between dates representing years, e.g., 2010/11, indicates a financial year.
• Use of a dash (–) between dates representing years, e.g., 2010–2011, signifies the full period involved, including the beginning and end years.
• Reference to “dollars” ($) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates. Details and percentages in tables do not necessarily add to totals because of rounding.

End Notes.

[I] Sources: The Sustainable Development Goals Report 2020, statement on the importance of Strengthening Partnerships and SDG 17)
[II] Source: UN Secretary General’s Speech at Columbia 2 December 2020 entitled “The State of the Planet”
[III] Source: See Annex III: Report Objectives, Research Process and Methodology

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[1] Source: IMF World Economic Outlook Database, April 2020
[2] Source: The World Bank Database
[3] Source: The World Bank Database
[4] Source: The World Bank Database
[5] Sources: IMF World Economic Outlook, Jan 2020 and Oct 2020
[6] Souce: Internaional Labour Organisation, Sept 2020,
[7] Source: World Bank: ‘Poverty and Shared Prosperity 2020, Reversals of Fortune’
[8] Source: S&P Global Market Intelligence 19 November 2020
[9] Source: Reuters estimate, 12 May 2020
[10] Source: The World Bank Database
[11] Source: Pew Research Centre, “Spring 2020 Global Attitudes Survey”, https://www.pewresearch.org/global/2020/09/09/despite-pandemic-many-europeans-still-see-climate-change-as-greatest-threat-to-their-countries/
[12] Source: See IMF (https://www.imf.org/external/pubs/ft/fandd/basics/external.htm) for multiple references on the subject

[13] Calculated on global net liquid assets held by individuals, governments, endowments, and foundations of US$242tn; Source: Credit Suisse, "Global wealth report 2019", https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html, IMF World Economic Outlook Database, April 2020, Data from individual countries Central Bank Reports, Sovereign Wealth Fund Institute Database, https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund, Harvard Kennedy School's Hauser Institute for Civil Society, "Global Global Philanthropy Report", https://cpl.hks.harvard.edu/publications/global-philanthropy-report-perspectives-global-foundation-sector

[14] Such as responsible investing, responsible lending or sustainability policies

[15] Source: World Bank Article, "Climate Finance", https://www.worldbank.org/en/topic/climatefinance

[16] This includes an assumption that for six companies that have only disclosed renewable energy AUM for six companies totaling c.US$42 billion has been held for a period of 10 years and thus, the capital mobilized for clean energy financing in 2019 is calculated by dividing the total clean energy AUM over a period of 10 years

[17] Source: Bloomberg Clean Energy Investment Trends 2019

[18] Source: Morgan Stanley Research: The Race to Zero Emissions; Nov 25, 2019

[19] Source: Deloitte and Alliance for Board Diversity (ABD) Multi-Year Study, "Missing pieces report: The 2018 board diversity census" https://www2.deloitte.com/us/en/pages/center-for-board-effectiveness/articles/missing-pieces-fortune-500-board-diversity-study-2018.html

[20] Finance industry lobbying for example is estimated to total EUR123 million annually at the EU level (source: Corporate Europe Observatory, Austrian Federal Chamber of Labour), and US$534 in the United States (Source: Center for Responsible Politics)

[21] Initiatives based on institutions' own reporting of activities supporting specific SDGs

[22] All % in this section have been rounded to the nearest 5%

[23] Calculated on global net liquid assets (see footnote 8 above)

[24] All % in this section have been rounded to the nearest 5%

[25] Source: Deutsche Asset & Wealth Management and the University of Hamburg, "ESG & Corporate Financial Performance Mapping the Global Landscape", https://www.unepfi.org/fileadmin/events/2018/sydney/ESG-and-Corporate-Financial-Performance.pdf

[26] Source: Morningstar Research June 2020 How Does European Sustainable Funds' Performance Measure Up? https://www.morningstar.com/content/dam/marketing/emea/shared/guides/ESG_Fund_Performance_2020.pdf

[27] Source: Morgan Stanley Institute for Sustainable Investing, "Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds", https://www.morganstanley.com/pub/content/dam/msdotcom/ideas/sustainable-investing-offers-financial-performance-lowered-risk/Sustainable_Reality_Analyzing_Risk_and_Returns_of_Sustainable_Funds.pdf

[28] Source: UNCTAD

[29] Source: Reuters Article, https://in.reuters.com/article/health-coronavirus-cenbank/rpt-graphic-15-trillion-and-counting-global-stimulus-so-far-idUSL8N2CU1Q9

[30] Source: UNCTAD, SDG Investment Trends Monitor https://unctad.org/system/files/official-document/diaemisc2019d4_en.pdf

[31] Source: United Nations, "Peace, Dignity and Equality on a Healthy Planet", https://www.un.org/en/sections/issues-depth/population/

[32] Source: UN DESA's Division for Inclusive Social Development and the New York City Mayor's Office, "Inclusive United Cities for All: Affordable Housing and Homelessness", https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2019/10/Inclusive-Cities-for-All-31Oct2019-v11-1.pdf

[33] Source: OECD Database, "Population with Tertiary Education, https://data.oecd.org/eduatt/population-with-tertiary-education.htm and UNESCO Institute for Statistics, "Data for the Sustainable Development Goals", http://uis.unesco.org/

[34] Source: World Bank, "Global Findex Database 2017", https://globalfindex.worldbank.org/sites/globalfindex/files/2018-04/2017%20Findex%20full%20report_0.pdf

[35] Source: World Bank, "Global Findex Database 2017", https://globalfindex.worldbank.org/sites/globalfindex/files/2018-04/2017%20Findex%20full%20report_0.pdf

[36] Source: Reuters Article, https://in.reuters.com/article/health-coronavirus-cenbank/rpt-graphic-15-trillion-and-counting-global-stimulus-so-far-idUSL8N2CU1Q9

[37] Includes c.US$41 trillion of owned assets and US$61 trillion of (client-owned) assets under management or supervision

[38] Certain geographies such as China and the Middle East are underrepresented in the sample due to the lack of public information

[39] Analysis of Capital IQ Data. The data includes aggregate total assets (owned) and assets under management (client-owned) for all financial institutions with more than US$1.0 million of assets (source: CapitalIQ, company disclosures); assets of government pension funds (source: Willis Towers Watson, The Thinking Ahead Institute Pensions & Investments 300. https://www.thinkingaheadinstitute.org/en/Library/Public/Research-and-Ideas/2020/08/PI_300_2020) and sovereign wealth funds (source: Sovereign Wealth Fund Institute Database, https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund) have been added to these totals. Companies have been grouped with the region of their headquarters and their primary business segments, the totals are therefore not representative of the actual end deployment of the assets

V. IMPORTANT NOTICES

Disclaimer

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Notice

The cumulative impact of good is that an organization becomes what we are calling in this report a 'force for good.' It is important to note that no judgement is implied based on the path chosen. Right conduct at the individual level is not judged as of lesser merit than conducting oneself on the world stage. No trade-off is implied between behaviors and outcomes in this report. Improving the life of millions (or the state of some part of the environment) is not judged in this report as of value greater if achieving that is achieved in a way that undermines the freedoms and rights of millions too (or damages other parts of the environment). Indeed, no hierarchy of values is implied between individual and collective conduct, while recognizing that the quantum of the impact may differ. The work recognizes the interconnectedness and interdependency of the system within the context of a systems based analytic approach, as in the consumer capitalism framework described earlier in the report.