Investing in SDGs – Address by Permanent Representative Crispin Conroy

I would like to thank UNCTAD for organising this important initiative and reiterate the unanimous comments about these extremely helpful reports.

The International Chamber of Commerce is the institutional representative of 45 million businesses in over 120 countries. We were founded in the ashes of the first world war on the belief that the private sector had an important, constructive role to play in ensuring peace and prosperity.

We continue to believe that business must step up to help address the major global problems of today, such as inequality, climate change and achieving the Sustainable Development Goals.

ICC is concerned about the challenges of implementing the SDGs and, in particular, the enormous – and in some cases, widening – financing gaps.

But, we should not be despondent. The scale of the problem may be enormous but there *are* practical solutions available.

I want to leave you with three key messages today.

First, the role of the private sector will be critical to achieving the SDGs.

To implement the SDGs, we need about $3-5 trillion.

Right now, we're only spending about $1.5 trillion.

To put that in perspective, the total amount spent on foreign aid is only around $160 billion.

Given the enormous sums involved, clearly this gap will have to be filled by the private sector.

There is no other option – we need companies to unlock these trillions of dollars.

However, many businesses are starting to see this for what it is – the biggest business opportunity in history.

Secondly, business is already heading in this direction.

In recent years, there has been a hurricane of activity in sustainable finance and investment.

As one banker recently said at an ICC event, a veritable sustainable finance arms race has begun between banks.

The momentum is significant.

Today, around 31 of 88 trillion of assets under management now adhere to sustainable finance principles.

Mainstream equity analysts now consider that ESG compliance is a better signal than any other as an earnings metric.

And sustainable investing yields a 5% higher return on investment, has lower default risk and consistently lower volatility than other types of investing.

Not long ago, such positive developments were unimaginable.

Thirdly, even though business is heading in the right direction, ultimately governments need to create the right public policy frameworks to align incentives for SDG investments.

The scale of the problem demands that the entire suite of national and international policy levers be used to shift financial flows definitely towards our common sustainability goals.

There are at least nine potential areas of policy change ICC has identified that could have a significant impact.

First, countries could broaden the scope of central bank and regulatory mandates. It would be worth exploring the potential to expand the concept of "financial stability" in central bank and regulatory mandates for monitoring and micro-supervision to incorporate both sustainability related risks and objectives. Given the growing risks posed to the global economy by climate change, environmental degradation and global inequality, the objective of financial stability can no longer be separated from sustainable development imperatives.

Second, countries could align prudential regulation frameworks with sustainability risks. This would involve exploring the feasibility of including risks associated with climate and other sustainability factors in institutions' risk management policies – building, for instance, on the work of the Task Force on Climate-related Financial Disclosures. We also encourage policy makers to consider the use of standardised sustainable financing

Third, countries could establish sustainable finance taxonomies. In particular, it would be useful to establish a process to ensure as much alignment as possible across the various taxonomies being developed across the globe for climate change, environmentally and socially sustainable investment activities. Such a framework, if sufficiently robust, could allow for comparability within asset classes and provide standard definitions to base prudential requirements under Basel III/Solvency II to ensure stronger alignment with the objectives of the Paris Agreement and SDGs without increasing the overall capital requirements placed on banks and insurers.

Fourth, countries could embed sustainability in credit ratings. There would be value in exploring the potential for sustainability factors to be taken into account in credit analysis and adjudication, with progressive integration into credit rating systems and assessments – in both corporate and sovereign debt.

Fifth, countries could clarify fiduciary duties. Establishing clear duties for both institutional investors and asset managers in relation to their own sustainability considerations and in relation to any investment recommendations they make to non-institutional investors would be worthwhile.

Sixth, countries could standardize SDG disclosures. Countries should work towards greater standardization of sustainability-related reporting to address growing market fragmentation and promote comprehensive SDG-alignment.

Seventh, countries could better empower consumers. This could include requiring sustainability preferences to be taken into account when assessing a client's investment needs and providing simple ECO labelling of sustainable finance products by linking these preferences to existing, legally mandated "Know Your Client" processes in investment finance

Eight, countries could help unlock dormant assets, including by establishing appropriate schemes to unlock the estimated US$100 billion of assets that lie "dormant" where financial institutions have lost contact with their beneficial owner – building on existing good practices in a number of countries. Such assets could be earmarked towards SDG implementation nationally or on a global level.

Finally, countries could promote partnership and alignment with financing of private sector sustainability initiatives. Through dialogue and coordination with relevant stakeholders, countries should develop incentives that support acceleration of financing linked to improving the sustainability of operations and supply chains and facilitating trade in sustainably produced goods. Public policy impediments to implementation of these initiatives should be identified and removed.

This is not an exhaustive list of possible positive government interventions. But their breadth speaks to the urgency, importance and complexity of aligning private incentives with sustainability goals.

In conclusion, ICC and global business *is* committed to achieving the SDGs.

The obstacles are large, but not insuperable.

Business is naturally moving in the right direction and reorienting money towards the SDGs.

But not enough and not quickly enough.

We therefore need to set up the right public policy framework to incentivise massive private investment.

There are plenty of ideas out there, now it is time for action – and cooperation.

As we approach the 10-year mark before the 2030 deadline to achieve the SDGs, ICC has placed the issue of unlocking sustainable finance as a key priority and we stand ready to work with all stakeholders to shift private capital to where it is needed.