

“The Sustainable Development Goals and the role of financial institutions”

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Abstract

Today, as the world bends under the daunting challenges it's facing, from climate change to poor social conditions, from scarcity of resources to consumers'safety, corporations and financial markets are summoned to act and build a long-term strategies to address these very issues. A new model of the relationship between business and society needs to be defined in the light of sustainable development, as it is a universal aspiration, requiring international cooperation and joint responsibility for a greater common good.

The 17 Sustainable Development Goals (SDGs), outlined by the United Nations in September 2015, that define an ambitious, universally applicable agenda and that integrates the economic, social, environmental and human rights dimensions of sustainable development, represent a wake up call for corporations and financial institutions thanks to the important role that can be played by the private sector in attracting investments supporting SDGs. There is indeed an urgent need for the International community to take tangible steps for attracting investments supporting the SDGs. Estimations by the United Nations Commission on Trade and Development (UNCTAD) show that from 2015 to 2030 investments of 5-7 trillion of US dollars each year will be required to meet the SDGs, with only a share of around 15% covered by public funds, therefore leaving a gap of around 6 trillion of US dollars per year for private capital that will need to be financed through companies and to direct investments.

In this paper, we present a framework to analyze the link between firms' environmental, social and governance (ESG) factors and their attitude to contribute to the SDGs, providing a measure of the level of companies' SDGs commitment. Our analysis is based on a firm-level panel data of more than 15,000 companies worldwide rated by Thomson Reuters on their respective ESG dimensions. Working on the single sub scores, we identify those elements that can be considered firm's activities linked to the SDGs and we provide for each company an “SDG score” that can be used by financial institutions to re-orient their investment flows towards the new innovative products and services focused on finding solutions to achieve the SDGs.