5 December 2019, Paris

Dear Finance Ministers,

Re: a policy agenda to mobilize finance for people, planet and prosperity

I am writing on behalf of the International Chamber of Commerce ("ICC") – the institutional representative of 45 million businesses worldwide – to seek your support for a concerted global policy agenda to mobilise finance in support of sustainable development and bold climate action.

ICC holds a deep commitment to the UN's Sustainable Development Goals ("SDGs") and we note with profound concern recent data highlighting significant – and, in some cases, widening – gaps in their implementation. Our ability to correct this trend hinges on the ability of countries to mobilise much greater levels of finance in areas such as clean energy, health, education and infrastructure – and we fully recognise the imperative for private finance to bridge these funding gaps globally.

We approach this challenge with a significant degree of optimism – particularly as recent years have seen a marked shift in global financial markets in response to the SDGs and the Paris Agreement. Sustainability-related considerations are increasingly factored into investment decision-making by a range of capital markets actors – all of whom command significant financial resources and are increasingly calling for governments to do more to meaningfully address the SDGs and climate change. Against this backdrop, innovative financial products, such as green bonds and other sustainability-indexed investment vehicles, are growing at an impressive annual rate.

Despite this encouraging momentum, however, the deployment of private capital for sustainable finance remains relatively limited as a share of the total stock of global assets. While financial systems are extremely heterogeneous, this observation holds generally true for both primary and secondary markets throughout the world. In short, sustainable finance remains a market exception at a moment in history when people and our planet require it to be the norm.

A roadmap for systems change

While we continue to champion normative frameworks and partnership models to mainstream sustainable finance and enable related markets to mature, a step-change is urgently required. In this connection, it is our view that there remains significant untapped potential to utilise public policy levers – at national and global levels – to decisively align financial flows with global sustainability imperatives.

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Governments and regulatory bodies undertook an impressive and concerted programme to address the failings of the financial system in the wake of the 2008 financial crisis. A comparable decade-long action agenda with concrete outcomes is now required to enable the financial system to address global sustainability challenges – most notably the growing climate emergency. Without doing so, the collapse of biodiversity, global warming and irreversible changes to natural systems and structures that we all depend on will produce adverse economic and societal impacts around the world that are far greater than those of the 2008 financial crisis.

We believe that with the right political leadership and cooperation, a policy-induced re-alignment of private finance with the SDGs and global climate goals is not only necessary but ultimately achievable. Such re-alignment would bring very significant economic, societal and environmental benefits to all.

In this context, we would like to take this opportunity to set out 10 potential areas for policy change that could have a significant effect on the way in which financial markets serve our world. These proposals build, *inter alia*, on the recent work of the G20 Sustainable Finance Study Group, the Network for Greening the Financial System, the landmark recommendations of the Business and Sustainable Development Commission – as well as the expertise of major financial institutions and corporations within the ICC network. Specifically:

1. **Broaden the scope of central bank and regulatory mandates**: Explore the potential to expand the concept of "financial stability" in central bank and regulatory mandates to incorporate 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.

2. **Align prudential regulation frameworks with sustainability risks**: Explore the feasibility to include 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.

3. **Establish sustainable finance taxonomies:** Establish a process to ensure as much alignment as possible between the various taxonomies being developed for environmentally and socially sustainable investment activities. Such a framework – if sufficiently robust, practical and granular – could allow for comparability within asset classes and provide standard definitions on which to base prudential calculations under Basel III/Solvency II. This could enable stronger alignment between financial stability frameworks and the objectives of the Paris Agreement and SDGs – without increasing the overall capital requirements placed on banks and insurers.

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4. **Embed sustainability in credit ratings and credit pricing:** Explore the potential for sustainability factors to be taken into account in: (i) credit analysis and adjudication, with progressive integration into credit rating systems and assessments for both corporate and sovereign debt; and (ii) credit pricing, by giving an incentive on interest rate and fees applicable through a tax leverage during all or part of the financing cycle.

5. **Clarify fiduciary duties:** Establish clear duties for both institutional investors and asset managers in relation to: (i) their own sustainability considerations; and (ii) any investment recommendations they make to non-institutional investors.

6. **Standardise sustainability disclosures:** Work towards greater standardisation of sustainability-related reporting to address growing market fragmentation in Environmental, Social and Governance ("ESG") disclosure frameworks. Efforts should also be made to accelerate alignment between SDG and ESG metrics to ensure effective measurement of social and environmental impact and build public trust.

7. **Establish sustainable finance standards for "transition" projects:** Work towards the development of frameworks and/or metrics to scale financing for industrial pilot projects aimed at improving the environmental footprint of traditional industrial sectors.

8. **Empower consumers:** Require sustainability preferences to be taken into account when assessing a client's investment needs and establish simple "ECO" labelling of sustainable finance products. This could be achieved operationally by linking sustainability preferences to existing, legally mandated "know your client" processes in investment finance.

9. **Unlock dormant assets:** Establish innovative 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. Where nationally appropriate, such assets could be earmarked towards SDG implementation projects nationally or on a global level.

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10. **Promote sustainable finance partnerships and accelerate the deployment of public-private investments:** Through dialogue and coordination with relevant stakeholders, develop incentives to scale financing linked to the sustainability of business operations and value chains. In addition, work to accelerate the deployment of innovative public-private partnerships (PPPs) – not least given the growing evidence that PPPs tend to have better and more sustainable outcomes than pure publicly financed initiatives. Public policy impediments to implementation of such initiatives should be identified and removed.

Taken together – and in conjunction with existing voluntary efforts from financial institutions – we believe that this suite of policy measures has the ability to shift financial flows definitively towards mitigation and adaptation-related investments, as well as the SDGs. We urge you to give consideration to how your government can advance this agenda at the global level – including through the United Nations and the Financial Stability Board – as well as considering appropriate national interventions within the boundaries of existing international and regional frameworks.

We stand ready to provide any further support that would be helpful in this regard as we work to the common goal of realising the potential of the Paris Agreement and the SDGs.

Yours sincerely,

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Secretary General

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