# **Morningstar Sustainalytics’ Response to Call for Inputs for an Elements Paper on Financing for Development**

[Morningstar Sustainalytics](https://www.sustainalytics.com/) (hereafter referred to as Morningstar) supports the Pact for the Future and the Financing for Development process. We will share inputs to the Elements Paper after sharing a brief overview of our expertise relevant to (FfD4) process and its future outputs.

## Who are we?

Morningstar provides investors with essential financial data and intelligence on a range of sustainable investment issues, including sustainability risk. We also provide **stewardship**, a critical component of our offering to the FfD4 process and to our investor and corporate clients. Stewardship contributes to establishing and implementing change objectives for corporate improvement on key issues being addressed at FfD4.

We offer three areas of expertise identified as critical gaps in the past nine years of FfD deliberations, and further highlighted at the Summit of the Future, the Action Days and in the Future Pact of the Future. These are where Action 52 calls on international financial institutions to improve the assessment and management of risks, including climate-related financial risks to help accelerate the reform of the international financial architecture.[[1]](#footnote-2) Notably, Morningstar was the only private sector company invited to speak on the Summit’s Opening Day.

Our three areas of applicable expertise:

1. **Provider of ESG data & insights to strengthen and fill the SDG financing and corporate accountability gap.** We are the world’s leading environmental, social, and governance (ESG) data provider and have services which align ESG data directly to SDG indicators.

**2. Convener and honest broker between Private Sector and UN Processes:** With the current gap of private sector and investor engagement from the FfD process, we can serve as an interface between the UN, Member States and investors. We are the largest provider of investor stewardship, providingglobal investors with access to the world’s largest corporations. We connect investors to corporations to track and discuss their sustainability progress and ESG Risks. Through *macro stewardship* (ie: what our role here is), we connect investors with the UN, UN-affiliated bodies, and governments, regulators, and IFIs to enable the future sustainable finance agenda to be more inclusive to strengthen the SDGs. The largest global investors are our clients, and they are increasingly interested in UN engagement, according to our UN Investor Survey conducted in September 2024 in preparation for our Summit participation. We serve investors and understand how better, more harmonized targets, indicators, underlying metrics, and data are a critical link that can unlock and mobilize private investors to close the SDG financing gap.

**3. Bringing the perspective and innovations of Emerging Market corporations and their regulatory processes.** Based on our analysis and ESG ranking of over 5,000 listed companies across the world and the Global South, we steward the 700+ most at risk companies in their investor relationships focusing on ESG and the SDGs, their sustainability and risk progress, while meeting and navigating their regulatory bodies (ministries of Finance, Industry, Economy, etc.). We understand the sustainable finance system from the Global South’s largest corporations and their financial regulator bodies.

**DIRECT INPUTS**

1. **A global financing framework (including cross-cutting issues)**

Gap 1: ESG Data and targets are key metrics used by corporations and global capital and investors still are not yet incorporated in national government targets led by the SDGs.

Initiative 1: Morningstar and likeminded partners such as GRI can offer comprehensive metrics (ESG or otherwise) and frameworks for integration into initiatives like UNDP’s Integrated National Financing Frameworks (INFFs). This ensures that national financing strategies align with sustainability standards and SDG targets. In addition, tailored training and technical assistance governments to effectively use ESG data for informed decision-making, enhancing the impact and efficiency of their national financing strategies.

ESG research can be used to identify and promote private sector investments aligned with the SDGs and Nationally Determined Contributions (NDCs), helping attract responsible investors who prioritize sustainability. Additionally, the tools to assess and mitigate ESG risks will encourage greater private sector participation by reducing perceived risks in sustainable projects.

By facilitating **the creation of shared data platforms**, Morningstar aims to enable development and financial institutions to access ESG data, fostering collaboration and more informed investment decisions. Furthermore, partnerships with multilateral development banks (MDBs) can help co-develop sustainability standards and investment criteria that align development goals with financial returns.

1. **Action areas**

**b. Domestic and international private business and finance**

Gap 2: MDBs/UN entities are not building robust pipelines for SDG-aligned investments in cooperation with the private investor community. This can be achieved by providing detailed ESG analysis and having space to jointly assess high-impact investment opportunities. There is a need for collaboration on developing de-risking strategies through its risk assessment tools, making sustainable investments more attractive to private investors. With UN agencies, development banks, and investors having the forum to showcase successful public-private partnerships (PPPs) that align with sustainability goals, data-driven case studies can demonstrate how private capital can be effectively mobilized for sustainable development projects.

Initiative 2a: Morningstar aims to support UNDP’s Integrated National Financing Frameworks (INFFs), initially mandated by the Addis Ababa Action Agenda. Morningstar can offer ESG data and analysis to help countries develop and refine their INFFs, ensuring that national financing frameworks are aligned with international sustainability standards and attract both public and private capital for sustainable development.

Initiative 2b: While Morningstar also supports UNDP’s call to accelerate the implementation of SDG finance taxonomies, there is an additional key role overlooked related to local taxonomies and disclosure regulations. In many Emerging Markets, there is a proliferation of Government Regulators mandating companies to provide annual ESG Disclosures for all large and (in some countries) medium cap listed companies. This striking window of opportunity to work through the Permanent Missions in NY and the local ministries (we work with many of them) is critical in 2025 (even now in PrepComm 2) to begin to advocate for the inclusion of SDG-aligned metrics in this annual reporting and new taxonomies (GRI for example, already has this, and we assure you that nearly all global companies report against GRI to their host governments as a part of their annual reporting).

Initiative 2c: Morningstar offers insights into how investors can align their portfolios with the SDGs, contributing to discussions at FfD4 on financing sustainable and inclusive development through responsible investment.

Gap 3: Investors have not participated in the FfD discussions since 2015, creating a high risk that they will not be considered in the FfD PrepComms or Conference itself in June 2025. A key reason is the lack of precise fora for inviting investors, a lack of prioritizing, and also not speaking the right “language” in their invitations to appeal to the root interests of investors: contributing information to shape an agenda which will ultimately affect their constituents decision-making capacity to make responsible investments.

**Initiative 3a: Morningstar to be a convening entity between the private sector, investors, and the UN’s FfD process, including the creation of a representative group of companies and investors to attend the FfD4 conference and be available through Q1 and Q2 2025 virtually.** By acting as a conduit and translator (between business and public sector spaces), Morningstar can ensure meaningful private sector and investor engagement with the development community. Notably, by having Morningstar vouch for the FfD process to investors and corporates, this could offer increased interest (and legitimacy) to otherwise skeptical or disinterested private sector stakeholders and while providing access to investors directly Company’s expertise in ESG frameworks can help bridge the gap between corporate investment strategies and the UN’s development goals.

Initiative 3b: To create a space for the implementation of SDG finance taxonomies by providing standardized ESG metrics and reporting frameworks, ensuring consistency and comparability across investment portfolios. Additionally, by integrating ESG reporting tools, companies can improve their financial disclosure practices, allowing for more transparent reporting of sustainability performance and impact.

**c. International development cooperation.**

Gap 4: There is a striking opportunity to unlock/redirect CSR and other types of social (read: SDG) financing from corporations to UN development and humanitarian agencies. With many UN Agencies at different stages of their maturity in private sector engagement and raising private funds, it is important to navigate corporations more aptly beyond the current UN methods and means. While some UN Agencies, particularly UNICEF, UNHCR, WFP, are more advanced in their private sector partnerships and financing (usually non-earmarked funds), many are not and even these three are still falling short, such as knowing the relevant focal points in the company; only aiming for high profile companies; or having inefficient mapping of which industries are viable in which markets, and which national regulators mandate such donations/financial contributions from their corporations.

There are third party companies (or stock exchanges for example) that have different pathways. Morningstar has a highly privileged position with its relationships with hundreds of the world’s largest listed corporations through our stewardship and engagement services, where we steward their sustainability risks, their past incidents, ESG risks, and their contributions to the SDGs – often through the CSR programs or ESG targets. There are individual counterparts in companies within different units whom the UN are not currently engaging with, such as VPs of sustainability/ESG teams, as well as investor relations, risk, finance directors, and strategic teams, for example, many are putting social initiative budgets, millions and millions of USD, into internal programmes, which are disconnected to their own strategies, and certainly removed and unreported against the SDGs. Many outsource these decisions or work internally on only a few potential initiatives – UN Agencies could make a pitch to increase services and, with that foothold, further expand their financing goals and engagement with innovation and data sharing, including local community engagement.

Companies which have dialogues with these corporations’ potential avenues of optimizing and considering putting their CSR and other such funds towards UN Agencies. Further, many corporations are currently raising capital through sustainable linked bonds (green, sukuk, panda, blue, etc.), often unaware that a component of this could partner with a UN development agency to provide medium-short returns through an impact investment / blended finance partnership. The above is well beyond the mandate and scope of Morningstar, however there are other entities which the UN can lean on to foster this access for UN Agencies.

Initiative 4: Within DCO in cooperation with UNGC, establish an advisory group of individuals from corporations who can offer their own social volunteer hours to map how to approach corporations and explain how they allocate financing for sustainability initiatives, and how they can align to SDGs.

**e. Debt and debt sustainability**

Gap 5: There is a need to promote responsible investment in debt instruments like green bonds or sustainability-linked bonds, which have the potential to fund projects that align with the SDGs. There is space and utility to advocate for frameworks that enhance transparency, measurement, and accountability for how debt proceeds are used, especially in climate finance and social infrastructure. There is intent to provide a perspective on how blended finance structures (combining public and private funding) can attract more private investment into sustainable projects by de-risking investments and highlight examples of successful ESG-focused funds or impact investments in key sectors such as clean energy, healthcare, and education.

Initiative 5: Morningstar could convene a representative body of investors and corporates who already receive MDG financing, to provide perspectives on the above.

**f. Addressing systemic issues**

Gap 6: ESG solutions can be key in addressing systemic issues by including investors in discussions around SDG financing.

Initiative 6: By providing ESG data and insights, Morningstar can guide investors toward sustainable investment opportunities and build systematic collaboration between private sector investors and public institutions, including IFIs, to align financial flows with SDG priorities.

**g. Science, technology, innovation and capacity building**

Gap 7: National governments’ budgetary process towards the SDGs and mandating corporate ESG disclosures to further these aims are lacking.

Initiative 7: Morningstar can support UN-bodies' efforts in building the capacity of national governments in public finance reporting by aligning this with global ESG frameworks and standards, as well as to provide technical expertise in ESG data, helping governments integrate global sustainability standards into national regulatory systems and bridging the gap between the corporate sector’s ESG practices and public regulations. Morningstar can help foster corporate commitment to national regulations and international sustainability goals through tailored ESG assessments and reporting tools. This would ensure that companies not only comply with local regulations but also align with global sustainability standards.

**III. Emerging issues**

1) USING A COMMON LANGUAGE: Companies, investors, the UN, and affiliated bodies need a unified language. Major publicly listed companies focus on ESG metrics and GRI sustainability reporting, while the UN and governments emphasize SDGs. Investors rely on companies' ESG reports, highlighting the need to bridge ESG, GRI, and SDGs. Morningstar is well-positioned to address this gap, particularly in monetizing the SDGs. The firm can offer insights on translating ESG factors into SDG outcomes at the issuer level, helping companies and governments improve understanding and reporting of their SDG contributions.

2) LACK OF INVESTOR BUY-IN: This issue arises partly because investors were not fully included during the SDG's inception. While some companies participated, emerging market representation was limited, despite these markets now comprising over 50% of the Fortune 500 and playing a crucial role in advancing the SDGs. Morningstar can address this gap by facilitating greater investor involvement in the Financing for Development (FfD) process and championing its outcomes, contingent on the final document. Additionally, the firm can engage in various SDG-aligned projects, leveraging investor influence over corporations to promote SDG investment and prioritize SDG-aligned reporting. Collaborating with UNEP-FI could also help quantify the capital expenditures directed toward the USD 4 trillion SDG financing goal.

3) DATA ACCESS: Morningstar has ESG data and insights into future trends. See IV below.

**IV. Data, monitoring and follow-up**

Gap 8: The next development finance agenda must incorporate harmonized and interoperable targets, indicators, and underlying metrics that facilitate standardized measurement and management for shared objectives. Increased participation from investors and emerging market corporations is essential. This requires coordination among the UN and established standards organizations, such as the ISSB, GRI, IRIS, and HIPSO, alongside the SDGs.

While the SDGs successfully united the world around common goals, their financing gap could be reduced if they more clearly defined which targets and indicators are relevant for investors and corporations. By outlining accepted strategies and activities in a credible, comparable manner, investors would better understand how their investments can contribute to specific SDGs. Data can play a crucial role in this process. Effective investment management relies on measurable outcomes. Investors have expressed that the absence of clear, actionable pathways for contributing to the SDGs has kept many on the sidelines, as highlighted in feedback leading up to the Summit from PrepComm 1.

Private stakeholders view multilateral development banks (MDBs), including the World Bank, IMF, ADB, AIIB, and others, as key players in catalyzing development finance. However, without active involvement from the private sector—especially investors and emerging market regulators aligning their targets with SDG and ESG/GRI indicators—future global development goals will remain elusive. Establishing meaningful, interoperable metrics and strategies is essential to mobilizing additional capital. Clear linkages between MDBs and standard setters like ISSB and GRI must be pursued to attract private investment into development finance.

Most investors seek market-rate risk-adjusted returns rather than concessionary ones. Without better project- or issuer-level assessments, many private investors may view emerging market investments as misaligned with their goals, resulting in capital remaining focused on developed economies.

The Global Impact Investing Network’s 2023 State of the Market report highlights that 68% of respondents identified “fragmentation across impact measurement frameworks” as a significant challenge, while 66% cited difficulties in comparing impact results with peers.

The UN is uniquely positioned to help lead the global sustainable development finance agenda by uniting public, private, and multilateral institutions. By fostering a centralized resource for credible and comparable data, the UN can help investment capital connect ESG efforts to the SDGs, enabling private financing entities to contribute meaningfully to the international financial architecture.

ESG data is vital for operationalizing the SDGs from both regulatory and corporate perspectives. Firms specializing in ESG disclosures can assist governments and corporations in aligning their operations with sustainability goals.

Initiative 8: Given Morningstar’s deep knowledge of corporate ESG reporting, including GRI and SDG frameworks, it can address the gap between corporate ESG efforts and the understanding of SDGs. Morningstar can assist in improving how companies report on their SDG contributions, translating ESG data into actionable insights that enhance their SDG impact. Work has already begun with GRI aligning its indicators to the some of the SDGs, and with this as a foundation, along with work done by Morningstar is aligning many ESG targets to some SDG indicators, **a strategic working group on the alignment and quantitative monetization of ESGs to SDGs, would be a critical addition to FfD outcome document.** This would address the financial cataloguing of CAPEX to SDGs and would bridge the gap between corporate ESG reporting to national frameworks, and then to GRI and the SDGs. AI can have a clear role in this, and donors and investors should be readily approached to address this initiative.

**V. Overarching reflections**

We believe Morningstar can be a capable private sector partner for the Fourth International Conference on Financing for Development (FfD4). We support the UN’s sustainable development finance agenda. We believe that through trusted engagement with investors and corporations, alongside credible data and standardized metrics, we can mobilize the critical investment capital needed to fulfill the objectives of the Pact for the Future. By partnering with Morningstar, the UN can create a powerful gateway for stakeholders, facilitating collaboration and driving meaningful progress towards sustainable development. Together, we can transform aspirations into actionable results, ensuring that financial resources are effectively aligned with global priorities.

1. “Summit of the Future Outcome Documents.” UN. Published September 2024. <https://southafrica.un.org/sites/default/files/2024-09/sotf-pact_for_the_future_adopted_2.pdf> [↑](#footnote-ref-2)