

## Make businesses truly sustainable

**Researchers have an important role in unlocking green finance and ensuring that companies' sustainability pledges are credible.**

**H**ow quickly are business and finance becoming greener? The answer: not nearly fast enough. Far from racing towards more-sustainable practices, companies and financial institutions are, well, crawling. Although some have made laudable progress, all too often public commitments come with a liberal dose of spin and 'greenwashing'. United Nations secretary-general António Guterres has gone so far as to call some net-zero emissions claims a "sham" and "rank deception". Changing things means a change in people's mindset. Researchers have helped to create a huge opportunity; now they need to help turn ideas into reality.

The role of business and finance is writ large in several of the 17 UN Sustainable Development Goals (SDGs), which *Nature* is profiling at the halfway stage to their 2030 deadline. For example, SDG 9 says: "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." SDG 17 is about strengthening partnerships to implement the goals – with a particular focus on increasing international aid and investment, enhancing the transfer of technologies and improving the abilities of low- and middle-income countries (LMICs) to repay debts.

To be fair, the lack of progress is not entirely the fault of the business and financial sectors: just as we highlighted in our editorial on SDG 8, which focuses on growth (see *Nature* 620, 246; 2023), some of the SDG 9 targets seem to be conflicting, too. One SDG 9 indicator is the share of manufacturing in an economy, with a target to double it in LMICs by 2030, to increase prosperity and improve wages. This is happening, but not nearly fast enough. The share of manufacturing in LMICs as a percentage of gross domestic product (GDP) increased from 12% in 2015 to 14% in 2022.

Carbon dioxide emissions from energy and other industries are still going up, rather than down; potentially because manufacturing and emissions are linked. In 2022, global CO<sub>2</sub> emissions grew by 0.9% to a new high of 36.8 billion tonnes. The global material footprint – the amount of natural-resource extraction – is also increasing. The answer cannot be to just make more things: we need to improve their reuse and recycling, too.

A good start would be for businesses and financial institutions to more precisely define what it means to be sustainable, rather than making vague net-zero emissions promises. After the COP26 climate meeting in Glasgow, UK, in November 2021, Guterres assembled a group of 17 experts, chaired by Canada's former environment

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minister Catherine McKenna, to advise on standards for the reporting of net-zero emissions by companies as well as by cities and regions. This became necessary after several claims from businesses and financial institutions of plans to go green that had little, if any, independent verification. The advisers recommended that emissions targets should be accurate and verified by independent parties. Reporting cannot be selective – for example, companies or institutions cannot claim to be on a path to net-zero emissions while investing in or expanding on fossil-fuel supplies. And it must be frequent, not consist of vague targets to be fulfilled at some point in the future. Guterres has demanded action to comply with these recommendations ahead of the COP28 meeting in Dubai, United Arab Emirates, at the end of this year.

Another obstacle to sustainable industrialization is a shortage of funds for the development of renewable energy sources to power homes and factories. The amount of capital necessary to achieve the SDGs increases yearly: a report by the UN Conference on Trade and Development (see [go.nature.com/3yvlz6x](https://go.nature.com/3yvlz6x)) suggests that more than US\$4 trillion is now needed annually, compared with \$2.5 trillion in 2015. Yet LMICs often have difficulties securing much-needed investments because their currencies tend to be unstable against the US dollar. They also tend to be charged higher interest rates than high-income countries are, resulting in large repayment costs and a high risk of default.

But Barbados might have a plan to overcome these issues. Economist Avinash Persaud, an adviser to Mia Mottley, the country's prime minister, says that large global financial institutions, such as the World Bank and the International Monetary Fund, could provide bridging finance to compensate for any currency-related losses. This would be a relatively small amount of money, which could unlock much greater sums for sustainable investments, because investors will see LMICs as less risky. Persaud and Mottley's move – known as the Bridgetown Initiative – has won the backing of French President Emmanuel Macron, and US treasury secretary Janet Yellen and World Bank president Ajay Banga are among those listening.

But the Bridgetown Initiative needs research input, for example to investigate how debt contracts can be adjusted to prevent countries that have experienced natural disasters from losing their credit ratings; or how investments or grants might be structured to provide funding for loss and damage, so the most vulnerable people receive money as quickly as possible. Existing systems often rely on national governments to distribute funds, meaning that the most marginalized people might miss out.

Such changes are relevant to sustainability financing, because even small changes to the multilateral finance system could release the trillions of dollars needed yearly to achieve the SDGs – money that is just not flowing right now. These ideas are on the table, thanks to insights from researchers and advocacy by non-governmental organizations. Scientists need to keep the pressure on, including by verifying companies' sustainability claims. Otherwise, there's a risk that the situation will remain business as usual. Twenty years is too long to wait for change.