

# SUSTAINABLE FINANCE

FIND OUT MORE





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## WE HEAR A LOT OF TALK ABOUT "SUSTAINABILITY". DO WE REALLY KNOW WHAT IT MEANS?

Sustainable development is a way to meet the present needs without compromising resources for future generations. Sustainability is generally associated with the **environment**, which was the initial focus for the concept of sustainable development.

**Global warming** is a threat to people and the planet: the average global temperature has already increased by 1°C. This makes it difficult to achieve the goals of the Paris Agreement, which aim to limit temperature variations to below 2°C.

**In actual fact, the concept of sustainability has acquired a much broader meaning over time:** it is now identified with a **conscious economic model** that takes into account **economic and social** variables as well as the environment, thus helping to safeguard resources and foster wider prosperity.

**The 2030 Agenda, with its 17 Sustainable Development Goals (SDGs),** identifies possible actions to promote a more sustainable development model.



## THE CIRCULAR ECONOMY IS CLOSELY LINKED TO SUSTAINABILITY. WHY?

The circular economy is a **production and consumption model that redrafts processes and redesigns products so that they are reusable, repairable, reconditionable and recyclable at the end of their useful life**. This can also happen by using alternative solutions with respect to the traditional sales model, for example, sharing.

This mode extends the product life cycle, helps to reduce waste, and ultimately allows the regeneration of our planet's natural capital.

When a product has fulfilled its function, its composite materials are reintroduced into the economic cycle wherever possible. This way, growth can be separated from the use of raw materials, **thus generating added value**.



For more information:

The European Union's commitment to the circular economy  
<https://www.europarl.europa.eu/news/it/headlines/economy/20151201STO05603/economia-circolare-definizione-importanza-e-vantaggi>

## SUSTAINABILITY CAN BE RELEVANT TO ALL SECTORS, EVEN FINANCE.

### WHAT DO WE MEAN BY “SUSTAINABLE FINANCE”?

**Sustainable finance** means achieving not only **an economic and financial return, but also a shared social benefit** by reducing environmental risks and inequality.

Sustainable finance therefore means that investment decisions must take into account **environmental, social and good governance (ESG)** factors that are relevant in the longer term.

**Environmental considerations (E)** concern the mitigation of and adaptation to climate change, as well as the environment in a broader sense and the risks deriving from it (for example, natural disasters).

**Social considerations (S)** may refer to issues of inequality, inclusiveness, labour relations, human capital investment and communities.

**The governance (G)** of public and private institutions – including the criteria for management structures, employee relations and executive pay – is key to ensuring that decision-making includes social and environmental considerations.



**All three components – environmental, social and governance (ESG) – are an integral part of economic development and sustainable finance**

For more information:

In the EU's policy context, sustainable finance is understood as finance to support economic growth while reducing pressures on the environment and taking into account social and governance aspects

It also encompasses transparency on risks related to ESG factors that may impact the financial system, and the mitigation of such risks through the appropriate governance of financial and corporate actors.

The European Union's commitment to sustainable finance

[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_it](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_it)

## THEREFORE, CAN BANKS BE “SUSTAINABLE”?

**Sustainability for a bank essentially relies on two principles:**

- **the first** concerns the **bank’s organisational structure** and its consumption, rules and procedures. It prioritises the adoption of **business practices that are mindful** of, for example, energy consumption, waste production and employee relations;
- **the second** relates to the bank’s business conduct and involves **managing both credit and customer savings** in a way that fosters sustainable behaviour and consumption, positively impacts on the environment and society, thus contributing to the overall stability and efficiency of the financial system.

One of the instruments of sustainable finance is **sustainable and responsible investment**, which aims to **create value for investors and for society** and adopts a medium to long-term perspective, evaluating the financial, environmental, social and governance aspects.



**How to invest responsibly?** You can choose, for example, to:

- **favour the most responsible issuers within an asset universe, category, sector or class, or focus on one or more aspects** (e.g., climate change, energy efficiency or health);
- **select investments that comply with international standards and regulations**, such as those defined by the OECD or UN;
- **deepen the dialogue with the company** on sustainability issues, including as a shareholder, **to positively influence its behaviour**.

**Sustainability** for a bank is also closely connected to **credit**.

For years now, the banking industry has been committed to adopting **measures to facilitate access to credit and to support families and businesses in difficulty**, by complying with the provisions of specific regulations and by defining voluntary initiatives, in conjunction with institutions, consumer associations and business associations by adopting a highly synergistic approach.

**Microcredit can also be an important tool** to help businesses get access to credit when they would otherwise be at risk of exclusion. Microcredit can foster the creation and development of new micro-enterprise initiatives. Such aid can promote self-employment and combine funding with the provision of auxiliary services to support the entrepreneur's choices and mitigate the risk of default.



**In addition, banks are always seeking** to expand their range of products and services to meet the needs of customer sustainability: this can take the form of, for example, **funding** to promote the purchase of energy-efficient houses or renovations to improve the energy efficiency of buildings (so-called “green mortgages”), or even sustainability-focused **investment products**, such as ESG mutual funds and green bonds.

Furthermore, the Consolidated Banking Act provides for the regulation of “ethical and sustainable finance operators”, who are required to comply with the specific requirements of: participatory governance; credit policy; transparency (public evidence of funding to organisations and businesses); limitations to differences in internal remuneration and reinvestment of profits in the business (art. 111 bis).



## SUSTAINABLE FINANCE INVOLVES MANY OTHER ACTORS BESIDES BANKS. WHO ARE THEY?

Sustainable finance involves different entities. Who are we talking about?

- **companies** which, due to the nature of their activities, receive bank loans or issue financial instruments;
- **financial operators** (banks, mutual fund management companies, insurance companies, pension funds), which issue various types of investment products aimed at helping companies that are considered sustainable;
- **intermediaries who give investment advice to customers** (banks, stock brokerage firms, financial consulting companies, independent financial consultants) who help clients/savers to make investment decisions consistent with their needs, requirements and preferences in terms of financial sustainability;
- **consumers/savers**, who may decide to buy the goods produced by companies or the financial instruments they issue, namely, sustainable investment products;
- **European and national industry regulators**, which lay down the rules for the correct conduct of the various entities and oversee their enforcement.



## SO, EVERYONE CAN “MAKE A DIFFERENCE” WITH THEIR BEHAVIOUR

Our choices can – in a general way – succeed in affecting society and the environment around us, by complying with some simple principles of **virtuous** conduct.

Here are a few of them:

- **limit carbon emissions and consumption of non-renewable raw materials** (for example, (i) hold business meetings via video conferencing and conference calls, avoiding unnecessary travel, (ii) reduce the use of means of transport (car, plane, train), (iii) replace appliances, clothing and other products only when really necessary);
- **try to save energy**, both in terms of consumer goods and home choices;
- **reduce and recycle waste**, by putting still usable goods to use in new forms of **circular economy and sharing between people**, for example by setting up or supporting platforms that bring the owners of potential “second hand goods” into contact with organisations or individuals who wish to use them.



## BUT THERE'S MORE. CONSUMERS CAN ALSO DO A LOT TO PROMOTE SUSTAINABLE FINANCE

We can be more “sustainable” even in our direct relations with the bank: here are some examples.

**Customers play a key role in increasing the demand for sustainable finance:** for example, they can make sure that their investment decisions support economic sectors with low environmental impact and/or high social value. This behaviour is commonly called “voting with your wallet”, i.e. the consumer/investor influencing the market by means of their purchasing and investment preferences.

Even in our everyday life, there are behavioural choices that promote sustainability in various ways.

For example, we know that banks have **multiple channels to provide products and services that leverage technology for their usability and sustainability.**

They provide online and phone services (**Internet home banking, mobile banking, contact centres**) that allow customers to manage their savings and investments, or perform informative operations (for example, view account balances or view movements on current accounts or deposit accounts) or conduct transactions (for example, making money transfers, tax or utility payments, reloading prepaid credit cards, making mobile phone top-ups).

In addition, banks, in compliance with applicable legislation, are moving ever closer to the **dematerialisation of documents**, phasing out the sending of paper communications and opting instead for the use of digital files. This helps to avoid unnecessary paper waste and reduces environmental impact.

If we want to take decisions in line with our needs, it is essential to acquire legally mandated information about the financial products and services provided by operators. People can also deepen their knowledge through the numerous educational information initiatives available on these matters.



## IF YOU WANT TO MAKE A DIFFERENCE YOU HAVE TO BE INFORMED. WHAT TOOLS ARE AVAILABLE TO THE CONSUMER?

**Companies that are listed on the stock exchange or have more than 500 employees, including banks,** are called on to fill in the **Non-Financial Statement (NFS)**, an easy-to-use document in which the bank indicates how it handles the various aspects of sustainability (e.g., environment, social issues related to human resources, human rights compliance, support for local activities, financial education programmes for the more vulnerable sections of the population).

### **What is the goal?**

To explain to all entities with whom the company or the bank interacts – including, of course, the customers – what its strengths are, how its business impacts on the environment and society and how the bank contributes to facing the global challenges that affect us all.

### **Where can I find the document?**

The NFS is generally published on the website of the company or the bank that has authored it, often on the home page or on a dedicated page. There may also be articles, commentaries, studies and videos available to explain the institution's commitment to sustainability.

## NON FINANCIAL DISCLOSURE IS NOT THE ONLY COMMUNICATION TOOL USED BY BANKS. WHAT ELSE IS THERE FOR CONSUMERS?

The banks plan and carry out various activities. Here are a few of them:

- **integrated balance sheets, summary reporting providing financial information and information on the economic, social and environmental impacts of company activities and sustainability reports;**
- **projects** focused on local communities;
- **social channels, newspaper articles, press releases, campaigns in branches and industry associations;**
- **initiatives for financial and social inclusion;**
- **training schemes** to promote the financial inclusion of people in economic difficulty;
- **educational programmes for schools;**
- **projects to step up the protection of cultural and natural heritage;**
- **financing and advisory services on sustainability issues;**
- **campaigns to promote company welfare, project finance and high-digitalisation services;**
- **active participation in various associations;**
- **creation of partnerships** with organisations and institutions representing the Third Sector;
- **voluntary projects** (people raising and fund raising);
- **sponsorship** of cultural, sporting, educational initiatives and local area/community development schemes.



The background is a solid light green color. It features several stylized white clouds of various sizes scattered across the upper and middle sections. At the bottom, there are rolling hills represented by soft, rounded shapes in a slightly darker shade of green. The overall aesthetic is clean, minimalist, and nature-inspired.

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