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BUSINESS SUSTAINABILITY & ITS IMPORTANCE

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1.0 BUSINESS SUSTAINABILITY AND ITS IMPORTANCE

Business Sustainability also known as Corporate Sustainability, it is the management and coordination of environmental, social and financial demands and concerns to ensure responsible, ethical and ongoing success.

In a broader context, social, environmental and economic demands are considered as the three pillars of sustainability. Within the corporate world, they are sometimes referred to as the triple bottom line. The concept is a departure from the traditional concept of the bottom line, which evaluates all efforts in terms of their short-term effect on profits.

In traditional corporate cultures, social and environmental concerns have typically been considered to conflict with financial goals. Depletion of non-renewable resources, for example, is obviously not a sustainable practice. However, because alternatives typically require investments in infrastructure, continuing to rely upon fossil fuels is the least expensive short-term option.

The goal of sustainability requires a more extended timeline for Return on Investment (ROI) but once initial investments are made, they can actually lead to increased profitability. One example is free cooling for data centers, which takes advantage of naturally-occurring phenomena to control temperatures. Although the technologies involved may require initial cash outlay, the renewable resources they rely upon are freely available and reliable, which will eventually pay off.

Similarly, investments in socially ethical practices may initially cost business money but typically lead to enhanced recruitment, branding and public relations (PR), which all tend to lead to increased profitability.

1.1 Importance of Business Sustainability

According to a United National Global Compact Accenture Industry Study, 93 percent of industry CEO's believe that sustainability issues will be critical to the future success of their business. That study highlights the fact that sustainable businesses are becoming the new reality. We will now focus on four reasons why sustainability is so important for your business.

• Good for the Environment

Sustainable businesses are good for the environment. Because of this fact your company should be concerned about sustainability strictly for ethical reasons. Caring about our planet should be enough motivation to adopt sustainable business practices.

• Cuts Down on Energy and Waste Costs

According to an Ernst & Young study, “Six Growing Trends in Corporate Sustainability,” cost reduction was cited by 74% of the respondents as the principal driver of their company’s sustainability agenda. Sustainable businesses are able to cut down on energy and waste costs, which will in turn have a positive impact on the bottom line.

• Helps Attract and Motivate Employees

The sustainability of your business practices can help with recruiting. While the minority of potential employees who don’t care about sustainability won’t care either way, the rest may – and it could be the tie-breaker that helps them choose to work with your organization. Sustainability can also help motivate your existing employees. In connection with this according to a nationwide study “What Workers Want in 2012,” conducted by Rutgers University and funded by The John and Catherine T. MacArthur Foundation, “Employees who feel they can make an impact on social and environmental issues while on the job are twice as satisfied with work as those who don’t.” Happy employees are productive employees. Happy employees are also more likely to stick around which will help increase your company’s retention rate.

• Good for Your Reputation

Clients and investors are drawn to sustainable businesses. We already previously made reference to the 2011 Ernst and Young Study. In that study, 68% of all respondents felt that stakeholder expectation was an important factor in their company’s sustainability agenda. This is also highlighted by the following statement made in 2012 by Mary Wenzel, Director of Environmental Affairs: “Over 80 percent of our customers said it was important to them that we have an environmental commitment.”

That good reputation can also spread throughout the communities where your business locations are based. This could also potentially lead to positive media exposure. Since sustainability is the new reality, you can’t afford to overlook sustainable business practices.

Increasingly, businesses are making strategic decisions around the type and extent of their corporate sustainability policies. This comes as individuals, community organizations and governments are all prioritizing sustainability more and more as an essential aspect of any corporate or social policy. Organizations that have been proactive are already reaping significant benefits from their forward looking practices.

Yet sustainability can have a variety of meanings, depending on the business context. In terms of the environment, sustainability may mean ensuring that natural resources are replaced or

conserved for the long term and that ecosystems are not harmed. In terms of employment practices, sustainability may mean ensuring that employees are paid enough and given sufficient benefits to build families and contribute to their communities. And in the context of business practices, sustainability may simply mean that the overall corporate policies are not self-defeating or dangerous to the organization's long term well-being and reputation.

- **Environmental Sustainability**

Embracing environmentally sustainable business practices can have a number of significant benefits. Sustainable businesses are often the most innovative because they are constantly reviewing processes to find new solutions. In contrast, other organisations are more likely to simply stick with the processes that have worked in the past, without considering better and greener alternatives. Eco-conscious businesses also generally have employees who are more invested in the business culture, which provides more fulfilling jobs. The focus on ensuring sustainability also builds a culture of accountability throughout the organisation.

More importantly, though, consumers increasingly don't shop for products, but instead they shop for companies. Businesses that have a mission of environmental sustainability can build a reputation with consumers as eco-friendly. And as much as 25% of consumer behavior is led by reputation. As awareness and activism around environmental issues increases, businesses that are proactive in building sustainable practices are the most likely to find themselves succeeding.

- **Sustainable Employment**

Businesses with strategies that are sustainable in the long run pay their workers' salaries and benefits that allow them to live a sustainable life within their community. This builds loyalty within the organization, benefiting the company through increased productivity and creativity, as well as lower levels of fraud and mismanagement. Employees are also more likely to develop and take part in longer term projects that have higher payoffs. With a sustainable income, employees are able to stay with the organisation longer and are more motivated to actively market products and services with consumers in their community, as well as sell the organisation to potential job seekers. This in turn leads to a workforce with greater skills and more motivation.

- **Sustainable Business Practices**

Sustainable business practices are an essential part of corporate risk management. Fundamental to this philosophy is that any process that holds real potential to damage the overall corporate reputation, no matter how profitable, must be viewed with extreme skepticism. Depending on

the corporation, this can entail ensuring that all businesses connected through the supply chain engage in ethical practices, sourcing materials that can be certified as environmentally friendly, not engaging in business with countries or organization's with bad reputations, or simply ensuring that it will be possible to continue producing all of the business' products and services into the future.

Sustainability is an issue confronting all businesses today no matter their size or place in the marketplace. Increasingly, businesses are finding that embracing sustainable practices leads to better corporate culture, more reliable products and greater long term profit.

2.0 IMPACT OF BANKING AND FINANCE IN BUSINESS SUSTAINABILITY

2.1 Impact of Banking on Business Sustainability

Business owners have felt the crunch of the recession in more ways than one. First, business owners saw sales decline as consumers spent less money because of unemployment and shrinking household incomes. Second, banks tightened their credit policies and began offering fewer loans and lines of credit to small companies. Because changes in banking policy are often widespread, they can have systemic effects on the economy. During a recession, banking effects on business may be magnified because cash is in such high demand.

- **Banking Regulations:-**
  In response to the great recession, Congress enacted the Dodd-Frank Act, a wide – sweeping law intended to completely reform the financial services sector, in 2010. Such sweeping reform is common after a recession. For instance, the 1993 Glass-Steagall Act, finance reform Law, was enacted shortly after the great Depression. However, some have argued that laws such as Dodd-Frank and Glass- Steagall Act, another finance reform law, was enacted shortly after the Great depression. However, some have argued that laws such as Dodd-Frank and Glass-Steagall create uncertainty among banks and lead them to make fewer loans to small businesses. This happens for two reasons. First any new law creates uncertainty about how its language will be interpreted by the courts. Second, reform laws tend to give banks less freedom to take risks and earn large profits. As such, banks may make loans only to the least risky businesses that they are certain will be able to make repayment.

- **Credit Availability:-**
  The combination of a recession and new financial regulations leads to a decrease in the overall availability of credit. Just like individuals, banks lose money when the market

declines. The number of loans that bank is able to make decreases as market conditions worsen. Additionally, worsening market conditions may trigger regulations that require banks to hold more cash in reserve to ensure they will have sufficient funds to pay their liabilities. The more money that is held in reserve, the less money is available to be loaned to businesses and the tougher credit availability becomes.

- **Interest rates:-**
  Interest Rates are another aspect f banking policy that affects small businesses. The Federal Reserve plays a large role in determining interest rates offered by banks on loans and credit given to small businesses. The fed sets the nominal funds rate, which the rate is charged by banks when they make short term loans to one another. This rate affects the interest rates available to consumers because determines how much a bank has to pay to supply additional funds to its customers. As such, the fed will often lower interest rates to available to reduce the cost of obtaining additional funds and, therefore encourage bank lending to small businesses and individuals. When interest rates are low, businesses are often able to take out larger loans at a lower cost. This means when interest rates are high, small businesses growth rates should be expected.

- **Risk:-**
  Risk also plays a larger role in banking policy and has an effect on small-business lending. When banks perceive market risk to be increasing, which is often the case in recessions, they tend to put their money in safer investments. For instance, in risky markets, U.S treasury bonds become increasingly attractive. When banks put their money in less risky assets, there are fewer funds available for small businesses and consumer lending. These trends can have a huge impact on your ability to expand your business.

2.2 Impact of Finance on Business Sustainability

The main task of the financial system is to allocate funding to its most productive use, but a shift to sustainability means changing our ideas about what is “Productive”. Finance can play a role in allocating investment to sustainable companies and projects and thus accelerate the transition to low-carbon, circular economy. So sustainable finance considers how finance (investing and lending (interacts with economic, social and environmental issues.

In this allocation role, finance can assist in strategic decisions on the tradeoffs between sustainable goals. Moreover, investors can exert influence over the companies they invest in, so long – term investors can steer companies towards sustainable businesses practices. Finally finance is good at pricing risk for valuation purposes, and can thus help to deal with the inherent uncertainty about environmental issues, such as the impact of carbon emissions on climate

change. At their core both finance and sustainability look to the future, so there is scope for a new alignment.

- **A New Framework:-**

Thinking about sustainable finance has gone through different stages over the last few decades. The focus is gradually shifting from short-term profit towards long-term value creation. In a new essay, analyze these stages and provide a new framework for sustainable finance.

Finance and non- financial firms traditionally adopt the shareholders model, with profit maximization as the main goal. A first step is sustainable finance would be for financial institutions to avoid investing in companies with very negative impacts, such as tobacco, cluster bombs or whale hunting . Indeed, some firms are starting to include social and environmental considerations in the stakeholder model.

But move ahead, we need to adopt a stakeholder approach to finance, with benefits accruing to the wider community rather than just stakeholders.

- **Mobilizing Investment Funds for the Long Term:-**

One major obstacle to the adoption of sustainable finance is short-termism. The costs of action are borne now, while the benefits are in the future. The impact of economic activity on society, and even more so on the environment, is typically felt in the long-term. So how can financial institutions commit their investment for the long term and steer business towards sustainable practices?

On the investment side, I propose the creation of sustainable retain investment funds. Currently, the main vehicles for retail investors are Undertakings for Collective Investments in Transferable Securities (UCITS). UCITS are collective investment funds operating freely throughout the European Union on the basis of the single authorization the UCITS concept includes a transferability requirement, which assumes securities are listed on liquid markets. However, discourages long term commitment by investors. While liquidity is useful for retail investors, I suggest that this strict transferability requirement be revised into a concept of liquidity that ensures a balance control of in-out flow of cash by fund managers. This could be combined withdrawal limit on fund shares.

As part of their sustainability agenda, the European commission should prepare legislation setting up liquid, sustainable retail investment funds or undertakings with an EU-passport. These new undertaking for collective investments sustainable securities (UCISS) would replace the requirements on listening and transferability with the concept of sound liquidity management. UCISS would also incorporate a definition of eligible investments meeting enforceable sustainable criteria. The UN Sustainable Development Goals could underpin these criteria.

3.0 Role of Financial Sustainability in Economic Growth

Introduction

According to Prof. Robinson, the primary function of a financial system is "to provide a link between savings and investment for creation of wealth and to permit portfolio adjustment in the composition of existing wealth". The financial system plays a vital role in the economic development of a country. It encourages both savings and investment and also creates links between savers and investors and also facilitates the expansion of financial markets and aids in financial deepening and broadening. The financial system accelerates the rate and volume of savings through provision of various financial instruments and efficient mobilization of savings. It aids in increasing the national output of the country by providing the funds to the corporate customers to expand their respective business. It also protects the interests of the investors and ensures the smooth financial transitions through regulatory bodies such as RBI, SEBI etc.

3.1 Financial System in India

A financial system is the system that covers financial transactions and the exchange of money between investors, lender and borrowers. A financial system can be defined at the global, regional or firm specific level. Financial systems are made of intricate and complex models that portray financial services, institutions and markets that link depositors with investors.

The financial system is characterized by the presence of integrated, organized and regulated financial markets and institutions that meet the short term and long term financial needs of both the household and corporate sector. Both financial markets and financial institutions play an important role in the financial system by rendering various financial services to the community. The Indian financial sector today is significantly different from what it used to be a few decades back, in the 1970s and 1980s. The Indian financial system of the pre-reform period essentially catered to the needs of planned development in a mixed-economy framework where the Government sector had a predominant role in economic activity. Financial markets were segmented and under developed coupled with paucity of instruments

3.2 The Current Financial Regulatory System

1. **Financial Institutions**

The financial institutions are intermediaries of financial markets which facilitate financial transactions between individuals and financial customers. The financial institutions have collects the money from individuals and invests that money in financial assets such as stocks, bonds, bank deposits and loans etc., The following are the financial institutions –

- **Banking institutions:** These are the banks and credit unions that collect money from the public in returns of interest on money deposits and use that money to advance loans of financial customers.
- **Non-banking institutions:** These are brokerage firms, insurance and mutual funds companies that cannot college money deposits but can sell financial products to financial customers.
- **Regulatory institutions:** RBI, SEBI, IRDA etc., which regulate the financial markets and protect the interests of the investors.
- **Intermediaries:** Commercial banks, that provide the short term loans and other financial services to the individuals and corporate customers.
- **Non-intermediaries:** Financial institutions like NABARD, IDBI etc., that provide long-term loans to corporate customers.

2. **Financial Markets:**

Financial markets are the places where the buyers and sellers participate in trading of assets such as shares, bonds, currencies and other financial instruments. A financial market may be further divided into capital market and money market. While the capital market deals in long term securities having maturity period of more than one year, the money market deals with the short-terms debt instruments having maturity period of less than one year.

3. **Financial Assets/Instruments:**

Financial assets include cash deposits, checks, loans, accounts receivable, letter of credit, bank notes and all other financial instruments that provide a claim against a person/financial Institution to pay either a specific amount on a certain future date or to pay the principal amount along with interest.

4. **Financial Services**:

The financial services are concerned with the design and delivery of financial instruments and advisory services to individuals and businesses with the area of banking and related institutions, personal financial planning, leasing, investment, assets, insurance etc.,

4.0 STEPS TAKEN BY THE GOVERNMENT FOR FINANCIAL SUSTAINABILITY:

Introduction:

The Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman tabled the Economic Survey 2018-19 in the Parliament today. The Survey states that India continues to

target and maintain its economic growth, by introducing and implementing various policies and measures relating to sustainable development, climate change, resource efficiency and air pollution.

The survey states that in adoption of 2030 global agenda, countries are moving forward for achieving a world free from poverty, gender inequality and economic inequality and thereby ensuring a healthy planet for future generations. These goals are multi-dimensional and integrate various social, economic and environmental dimensions.

India follows a holistic approach towards its 2030 Sustainable Development Goals (SDGs) by launching various schemes. India's SDG Index Score ranges between 42 and 69 for States and between 57and 68 for UTs. Kerala and Himachal Pradesh are the front runners amongst all the States with a score of 69, Chandigarh and Pondicherry are the front runners with a score of 68 and 65 respectively among the UT's, the Survey states.

4.1 Policy Initiatives for Sustainable Development:

The Survey cites current Government of India policies in direction of achieving SDGs. These include Swatch Bharat mission, Beti Bacho Beti Padhao, Pradhan Mantri AwasYojana, Smart Cities, Pradhan Mantri Jan Dhan Yojana, Deen Dayal Upadhyay Gram Jyoti Yojana and Pradhan Mantri UjjwalaYojana, among others.

The **Namami Gange Mission**- a key policy priority towards achieving the SDG 6 - was launched as a priority programme with a budget outlay of Rs.20000 crore for the period 2015-2020. Major components include sewerage project management, urban and rural sanitation, tackling industrial pollution, water use efficiency and quality improvement, ecosystem conservation and Clean Ganga Fund, among others.

Further, in order to address the increasing air pollution across the country in a comprehensive manner, Government of India has launched a **National Clean Air Programme** in 2019 as a pan India time bound national level strategy for prevention, control and abatement of air pollution besides augmenting the air quality monitoring network across the country.

The Survey states that a harmonized overarching **National Policy on Resource Efficiency (RE),** building upon the existing policies to address multiple sectors should be devised for mainstreaming Resource Efficiency approach in the development pathway for achieving SDGs. Resource Efficiency can be a major tool to meet the resource needs of the country, at the least possible cost to the environment, the Survey adds.

The survey assesses priority sectors of Indian economy for enhancing RE in India. It quotes IGEP, 2013 and states, "Various studies have analyzed the economic impact of RE strategy

and identified that Rs. 6000 crore can be saved in the manufacturing sector with its implementation."

4.2 Principles of Equity and Common but Differentiated Responsibilities and Respective Capabilities

The Survey notes that India has continuously demonstrated its responsibility towards implementing climate actions on the basis of the principles of equity and common but differentiated responsibilities.

Quoting Prime Minister, Shri Narendra Modi, the Survey states, "You know that India is one sixth of the global community. Our development needs are enormous... People in India have waited too long for access to modern amenities and means of development. We have committed to complete this task sooner than anticipated. However, we have also said that we will do all this in a cleaner and greener way."

India's positive engagement at COP 24 negotiations in Katowice, Poland in 2018 resulted in protection of key interests, including recognition of different starting points for developed and developing countries; flexibilities for developing countries and consideration of principles including equity and common but differentiated responsibilities and respective capabilities.

4.3 Climate Finance and India's Nationally Determined Contribution

The Survey notes that the Paris Agreement emphasizes the role of climate finance in strengthening the global response to climate change. Though the international community witnessed various claims by developed countries about climate finance flows, the actual amount of flows is far from these claims. The Survey quotes UNCTAD 2014, report and states that there is a shortfall of US$2.5 trillion per year in current investments in developing countries for achieving SDGs.

As per the Survey, concerted global efforts are required to address the climate challenges along with other developmental imperatives. Implementing India's Nationally Determined Contributions requires investments of scale and size which is unprecedented. This essentially means that along with domestic public budgets, international public finance and private sector resources would have to be mobilized from a variety of sources.

Talking about the developments in Sustainable Finance arena, the Survey states that India stands at 11th position in global country ranking and accounts for 33% of the Certified Climate Bonds by number in emerging markets.

The developing countries like India will Endeavour to do the best possible within their own domestic resources, keeping in mind the sustainable development imperatives. It is time for

the global community to exhibit the requisite momentum to act upon their responsibilities on establishing the enabling environment for climate action, the Survey adds.

5.0 WHY SUSTAINABLE INVESTING MAKES A GOOD BUSINESS SENSE

Sustainable investing directs investment capital to companies that seek to combat climate change, environmental destruction, while promoting corporate responsibility.

Investors worldwide are increasingly seeking investment opportunities that promise to bring environmental and social benefits, in addition to market rates of return. If this trend continues, with the advancement of environmental or social objectives enhancing an investment's value, it will strengthen the commitment to sustainability that is already gaining momentum among businesses around the world.

Last year, one out of every six dollars of assets under professional management in the United States – a total of $6.6 trillion – was allocated toward some form of sustainable investment, especially public equities.

Some 1,260 companies, managing $45 trillion worth of assets, are signatories of the United Nations' "principles for responsible investment," which recognize environmental, social, and governance (ESG) factors – and thus the long-term health and stability of companies and markets – as critical to investors. One signatory, CalPERS, one of the world's largest institutional investors, has gone a step further: it will require all of its investment managers to identify and integrate ESG factors into their decisions – a bold move that could transform capital markets.

The number of companies issuing sustainability reports has grown from fewer than 30 in the early 1990s to more than 7,000 in 2014. And, in a recent Morgan Stanley survey, 71% of respondents stated that they are interested in sustainable investing.

To be sure, a major barrier to incorporating ESG criteria into investment decisions remains: many investors – including 54% of the respondents in the Morgan Stanley survey – believe that doing so could lower the financial rate of return. But there is mounting evidence that this is not the case, with several recent studies indicating that sustainable investments do as well as – or even outperform – traditional investments.

A seminal 2012 study that analyzed two groups of companies – similar in terms of industry, size, financial performance, and growth prospects – found that those in the "high sustainability group" had superior share-price performance. And a new study by Morgan Stanley's Institute for Sustainable Investing, which analyzed the performance of 10,228 open-ended mutual funds and 2,874 separately managed accounts in the US, found that sustainable investments usually

met – and often exceeded – the median returns of comparable traditional investments for the periods examined.

Many ESG factors come into play when evaluating sustainable investment options. For example, the Generation Foundation – the think tank of Generation Investment Management (on whose advisory board I serve) – identifies 17 environmental factors, 16 social factors, and 12 governance factors relevant to sustainability.

The challenge is to distinguish between the ESG factors that have a material influence on company performance and those that do not. But the data that companies currently report are inadequate to enable investors to make this distinction.

The non-profit Sustainability Accounting Standards Board (SASB) is attempting to change that by developing material sustainability accounting standards for 80 industries, consistent with the US Security and Exchange Commission's compliance regulations. More than 2,800 participants – including companies with market capitalization totaling $11 trillion and investors with $23.4 trillion in assets under management – have been involved in the SASB process. Using the SASB's proposed standards for 45 industries, as well as other metrics, a new study – the most definitive so far – has found that companies that perform well on material sustainability factors have better operational performance, are less risky, and earn significantly higher shareholder returns than companies that perform poorly.

Similarly, a new framework recently proposed by Morgan Stanley for valuations of companies in 29 industries includes ESG factors that pose material risks or opportunities. Whereas a company is traditionally valued based exclusively on how it deploys financial capital to generate returns, the new framework incorporates how it deploys natural, human, and social capital, as well as the transparency of its governance practices. This new approach to company valuation reflects the view that the most successful companies will be those that deploy all four kinds of capital responsibly.

Material ESG factors can affect a company's financial performance and shareholder returns through several channels. For example, more efficient energy and resource use can lower costs; better management of human talent can boost productivity; stricter safety, health, and environmental rules can reduce the risk of serious accidents; and new green or fair-trade products that appeal to consumers can increase revenues.

Consider investments that improve the energy efficiency of data centers, which use 10-20 times more energy than average commercial buildings, and thus are responsible for considerable greenhouse-gas emissions. Decisions about data-center specifications are important for managing costs, obtaining a reliable supply of energy and water, and lowering reputational risks, particularly given the increasing global regulatory focus on climate change. Google's

construction of data centers that use 50% of the energy of an average data center has brought it considerable savings.

Similar success stories have played out across sectors. Since 2011, the US chemical company DuPont has invested $879 million in research and development of products with quantifiable environmental benefits; it has recorded $2 billion in annual revenue from products that reduce greenhouse-gas emissions, and an additional $11.8 billion in revenue from renewable resources like wind and solar power.

Likewise, the multinational consumer goods company Procter and Gamble reported $52 billion in sales of “sustainable innovation products” from 2007 to 2012. That is roughly 11% of the company’s total sales over that period.

There are good reasons to believe that, by investing in improving material sustainability, companies can increase shareholder value. In fact, if a company is to fulfill its fiduciary responsibility to its investors, it has little choice but to go beyond financial returns to incorporate ESG factors that are likely to have a material impact on its performance over time. This is precisely the kind of incentive that could propel the world toward a more sustainable future.

Far from being a burden, sustainability is a business opportunity, allowing companies to ensure their continuity and positioning and making them more efficient and profitable.

Nowadays, who respects a company that tramples on workers’ rights and human rights or harms the environment? Companies are now responsible not only for their product but also for creating economic, environmental and social value over the short and long term. In other words, companies have to be sustainable and contribute to the progress of present and future generations.

Far from being a burden, sustainability is a business opportunity, allowing companies to ensure their continuity and positioning and making them more efficient and profitable. Despite the widespread perception, applying sustainable management is much less costly and complex than it was a few years ago. Technology and innovation are the key.

In the financial sector, the Paraguayan Bank has been able to adapt the information provided by technological innovation to its business. The financial institution uses the online platform of Global Forest Watch, which offers real-time data to determine whether a fire is threatening one of its investments or if a lumber client is trading in species from protected areas, information that is highly valuable for its risks management plans.

The new digital technologies' impact on the economy is clear: over the last three decades every $1 invested in this type of technology added an average of $20 to the gross domestic product (GDP), or 6.7 times more than the investment in non-digital products. However, what is already known as the fourth industrial revolution is still not being utilized to its fullest potential. There is the perception that monitoring sustainability indicators is very costly and complex and requires large investments.

In the agricultural sector, new technologies make possible a more efficient management of areas under cultivation thanks to access to more on-site data regarding crops. In Argentina, for example, there is a platform called La Rotonda that links rural producers and contractors in what some have called an "urbanization of the countryside." This initiative allows a producer to offer or seek agricultural services on a direct and georeferenced basis and to save on middlemen in hiring for each agricultural season.

In addition, sustainable infrastructure can benefit significantly from digital innovation. In transportation, as part of a new collaboration between IDB Invest and Waze, we are working with our client Autopistas Urbana's (AUSA) in Argentina to give it real-time data on accidents and traffic statistics, so as to better understand the impact on road safety

In many countries, it is the consumers themselves who are promoting the digitization of products and services with unknown demand for transparency in production processes. Citizens want to know what type of product is reaching their tables, which presents challenges for companies in the management of supply chains.

Having access to better sustainability practices in banking, agriculture and infrastructure are precisely three of the aspects that have demanded the most of IDB Invests clients. For this reason, these themes were given priority in the design of the Sustainability Week held in Lima between May 7 and May 11.

Latin America and the Caribbean have an enormous responsibility due to their important role as suppliers of raw materials for the world market and each day this requires more sustainability-based policies and actions. The great challenge lies in ensuring that the companies in this region of the world increase the value of their products at the same time as they minimize the impact of their production

Sustainable, Responsible and Impact Investing (SRI) is an investment discipline that considers Environmental, Social and Corporate Governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Traditionally, responsible investors have focused on one or both of two strategies. The first is ESG incorporation, the consideration of ESG criteria in investment analysis and portfolio

construction across a range of asset classes. An important segment, community investing, seeks explicitly to finance projects or institutions that will serve poor and underserved communities in the United States and overseas. The second strategy, for those with shares in publicly traded companies, is filing shareholder resolutions and practicing other forms of shareholder engagement. Sustainable investing strategies work together to encourage responsible business practices and to allocate capital for social and environmental benefit across the economy.

The US SIF Foundation's Report on US Sustainable, Responsible and Impact Investing Trends identified $12.0 trillion in total assets under management at the end of 2017 using one or more sustainable, responsible and impact investing strategies

SRI investors comprise individuals, including average retail investors to very high net worth individuals and family offices, as well as institutions, such as universities, foundations, pension funds, nonprofit organizations and religious institutions. There are hundreds of investment management firms that offer SRI investing funds and vehicles for these investors.

5.1 Practitioners of sustainable, responsible and impact investing can be found throughout the United States. Examples include.

- Individuals who invest—as part of their savings or retirement plans—in mutual funds that specialize in seeking companies with good labor and environmental practices.

- Credit unions and community development banks that have a specific mission of serving low- and middle-income communities.

- Hospitals and medical schools that refuse to invest in tobacco companies.

- Foundations that support community development loan funds and other high social impact investments in line with their missions.

- Religious institutions that file shareholder resolutions to urge companies in their portfolios to meet strong ethical and governance standards.

- Venture capitalists that identify and develop companies that produce environmental services, create jobs in low-income communities or provide other societal benefits.

- Responsible property funds that help develop or retrofit residential and commercial buildings to high energy efficiency standards.

- Public pension plan officials who have encouraged companies in which they invest to reduce their greenhouse gas emissions and to factor climate change into their strategic planning.

6.0 BENEFITS OF GREEN FINANCE FOR BUSINESS SUSTANABILITY

Green financing is credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities. A key part of this is to better manage environmental and social risks, take up opportunities that bring both a decent rate of return and environmental benefit and deliver greater accountability.

Green financing could be promoted through changes in countries' regulatory frameworks, harmonizing public financial incentives, increases in green financing from different sectors, alignment of public sector financing decision-making with the environmental dimension of the Sustainable Development Goals, increases in investment in clean and green technologies, financing for sustainable natural resource-based green economies and climate smart blue economy, increase use of green bonds, and so on.

Mr. Cripps was speaking as a HSBC's Sustainable Financing Forum, held in Singapore, where he addressed the way in which banks, corporates and investors can all benefit from taking a proactive approach to environmental concerns. For many companies, doing nothing is no longer an option.

So-called "aspirational" consumers account for 40% of the global public, according to research by GlobeScan1. Mr. Cripps highlighted how these consumers not only define themselves according to the goods they purchase, they also expect the brand to align with their own values. Since concerns about the environment are becoming more mainstream, companies face greater scrutiny from consumers over their plans to decarbonizes, and to explain unsustainable business practices.

There is a parallel development in the financial world, as specialist green funds are no longer the only funds that focus on a company's sustainable record. Mainstream funds – including pension funds, sovereign wealth funds, and other institutional investors – are increasingly concerned about portfolio exposure to environmental risks. A 2017 study commissioned by HSBC found that 68% of global investors plan to increase their climate-related investments2.

A company's management might consider the growing focus on sustainability a challenge. However, Mr. Cripps suggests that corporate should consider the long-term advantages that can come from taking climate change seriously. Sustainable financing channels, he said, such as green bonds, provide several long-term material benefits.

One key benefit is that investors that are mandates to invest in ESG assets are likely to hold onto a security for a long period of time. Furthermore, the company is required to disclose a wide range of new information that demonstrates its commitment to the environment.

“This brings a new level of attention to a business,” said Mr. Cripps. “If you are a corporate and you issue a green bond or loan, your stakeholders and investors immediately know that they are supporting a business values sustainability.” By showing it is prepared for long-term global challenges, a company will likely perform more favorably than its less well-prepared competitors according to measures like valuation and pricing.

6.1 Sustainable Development Goals (SDGs) and Green Financing

UN Environment has been working with countries, financial regulators and finance sector to align financial systems to the 2030 sustainable development agenda – to direct financial flows to support the delivery of the Sustainable Development Goals. At the core of today’s globalized economy are financial markets through which banks and investors allocate capital to different sectors. The capital allocated today will shape ecosystems and the production and consumption patterns of tomorrow.

The main areas for the current work on green financing are:

- Supporting public sector on creating enabling environment
- Promoting public-private partnerships on financing mechanisms such as green bonds
- Capacity building of community enterprises on micro-credit

UN Environment through its resource efficiency programme will offer countries the service of reviewing their policy and regulatory environment for the financing system and developing sustainable finance roadmaps, and assisting central banks, regulators on how to best improve the regulatory framework of domestic financial markets to shape the way and supporting multi-country policy initiatives at sub-regional, regional and global level. UN Environment will build on current initiatives such as private climate finance and will work with policy makers and private sector leaders to connect to green economy initiatives. UN Environment will also catalyze the policy action that inspires and informs both public and private investors.

- Partnerships

- Multi-stakeholder partnerships will be promoted to include major actors in financial markets, banks, investors, micro-credit entities, insurance companies along with public sector.

Being sustainable is not just about reducing our environmental footprint. As a bank, we believe our role is to facilitate and finance society’s shift to sustainability. In other words: contribute to progress – environmental, economic, and social. We measure this with our Responsible Finance portfolio.

ING's Sustainable Finance team pursues sustainable business opportunities within ING Wholesale Banking, identifying sustainable clients and deals. The team takes a broad approach, going beyond the idea that sustainability simply means a few people lending to a few renewable energy projects.

The team supports a range of clients in achieving their sustainability goals—those with a strong sustainability track record, an ambitious agenda, or that are addressing resource scarcity and seeking financing for sustainable deals in renewable energy, green buildings, waste management or water.

In 2017, we collaborated on several sustainable financing firsts: the first loan linking the interest rate to the borrower's sustainability performance and rating (the better the rating, the lower the rate); the first green hybrid bond ever, raising EUR 1 billion to fund wind energy in the Netherlands and Germany; and the UK's first green bond in the public utilities sector (water).

6.2 Green Finance

- The financing of public and private green investments including preparatory and capital costs in the following areas: environmental goods and services such as water management or protection of biodiversity and landscapes; prevention, minimization and compensation of damages to the environment and to the climate such as energy efficiency or dams

- The financing of public policies including operational costs that encourage the implementation of environmental and environmental-damage mitigation or adaptation projects and initiatives (for example feed-in-tariffs for renewable energies)

- Components of the financial system that deal specifically with green investments, such as the Green Climate Fund or financial instruments for green investments (e.g. green bonds and structured green funds), including their specific legal, economic and institutional framework conditions.

6.3 Taxonomies will Lead the Way

Global regulatory initiatives for sustainable finance will be in the spotlight this year, driven by the European Commission's efforts to create and regulate a green finance taxonomy. Taxonomies help to create clarity on what is considered green or sustainable and which activities can be labelled as such. In doing so, taxonomies can help to simplify transaction costs to enter the market. However, taxonomies are also generally slow to evolve and prohibitive to inclusion of new technologies.