PATHWAY // FINANCIAL PRODUCTS & SERVICES

WE CAN ALL INVEST IN OUR FUTURE

FINANCIAL SERVICES AND INVESTMENT ARE AT THE HEART OF ALL ECONOMIC ACTIVITY. THEY UNDERPIN, UNDERWRITE AND DRIVE ACTION AND OUTCOMES ACROSS ALL INDUSTRIAL AND SERVICE SECTORS.

They are vital to ongoing social and economic stability and resilience. Financial products include corporate and personal financial mechanisms and transactions which provide the means to give or receive investment and loans and obtain security through insurance. Financial services are the means by which financial products are delivered and monitored, such as investment and payment services, retirement planning, mortgage broking and accountancy. The extent to which these products and services are oriented toward supporting and driving sustainable development outcomes is critical for the achievement of Vision 2050.

EXPLORE THE FINANCIAL PRODUCTS & SERVICES PATHWAY BUSINESS ACTION AREAS

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OUR 2050 VISION FOR FINANCIAL PRODUCTS & SERVICES

ALL FINANCIAL CAPITAL AND FINANCIAL PRODUCTS AND SERVICES ARE MOBILIZED TO SUPPORT SUSTAINABLE DEVELOPMENT

THE FINANCIAL SYSTEM RECOGNIZES THE VALUE OF SOCIAL AND ENVIRONMENTAL OUTCOMES ALONGSIDE FINANCIAL PERFORMANCE

All financial institutions, finance professionals and economic agents understand and apply a multi-capital approach to value, connecting societal and environmental capacity, thresholds and outcomes with enterprise and market value. Accounting systems, processes and principles help to ensure that this value is recognized and understood.

FINANCIAL CAPITAL ALLOCATION ENABLES SUSTAINABLE DEVELOPMENT

Capital allocation decisions across the investment chain recognize and prioritize sustainable development outcomes. Capital markets properly value inclusive, impactful, sustainable business practices, rewarding the most sustainable companies. Failure to manage environmental, social and governance (ESG) risks and opportunities is a major barrier to commercial success. Within financial markets, instruments provide a variety of different mechanisms for capital market actors to contribute to sustainable solutions and outcomes.

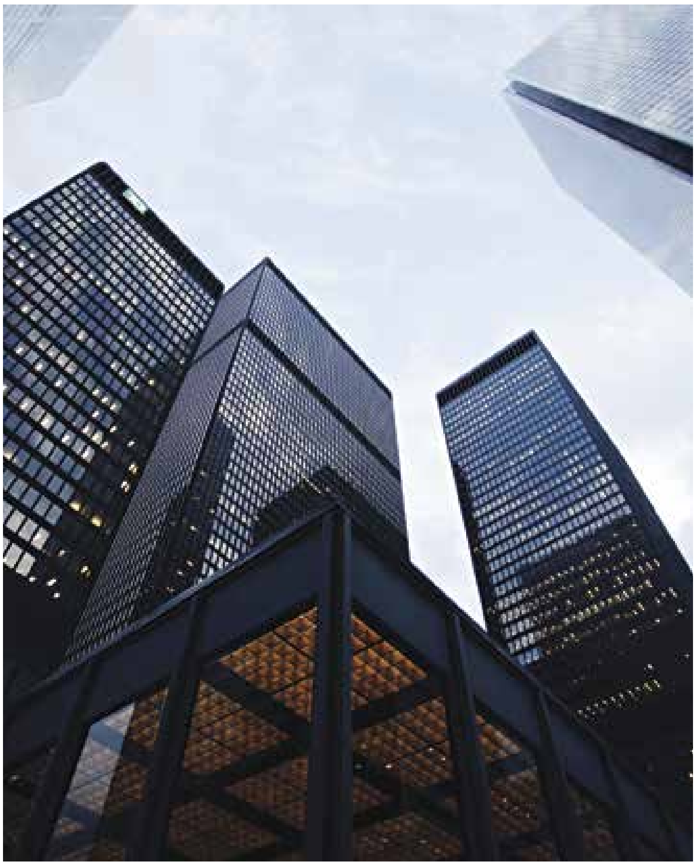
THE FINANCIAL SYSTEM HAS ACCESS TO COMPREHENSIVE AND COMPARABLE DATA ON CORPORATE SUSTAINABILITY PERFORMANCE

Material, decision-useful, forward-looking ESG information is communicated by all companies on a timely basis and informs the decision-making of actors throughout the investment chain. The quality of disclosure continually evolves and improves in line with sustainable development priorities.

THE FINANCIAL SYSTEM WORKS FOR EVERYONE

Financial products and services are universally accessible. Financial literacy is widespread and individuals appreciate their influence on the global financial system. The financial system in turn reflects the preferences and values of the beneficiaries and savers that it serves.

KEY TRANSITIONS



MARKETS AND FINANCIAL INSTITUTIONS EMBRACE A BROADER CONCEPT OF VALUE

- Widespread recognition emerges across the financial system that, in addition to financial capital, there are other categories of value that society – and institutions within society – benefit from. These include natural, social and relationship, human, intellectual and manufactured capital. Companies and capital markets recognize the importance of internalizing negative and positive externalities and understand them as sources of risk and opportunity that can affect business and investment performance.
- Approaches to categorizing and recognizing wider concepts of true value are further developed and mainstreamed. Accounting and valuation practices evolve to fully support the integration of these multiple sources of capital in support of public interests.
- Professional education for financial analysts, treasury, risk management, insurance and investment management increasingly integrate a multi-capital approach.

CULTURE AND BEHAVIOR SHIFT

- Governments, regulators, capital market actors and companies work together to enable a cultural and behavioral shift that helps to reduce instances of short-termism, excessive speculation and leverage and foster long-term resilience and value creation in support of a financial system that contributes to sustainable development.
- Policymakers strengthen regulatory guidance around the need for ESG considerations to be integrated into investor practice as a key component of fiduciary duty. Discussions around fiduciary duty also move beyond investors to include other actors along the investment chain.
- Incentive structures are reviewed to position sustainability performance outcomes as key components of short- and long-term remuneration across the financial system.
- ESG's importance in investment decision-making is incorporated into professional codes of ethics and qualifications to provide the necessary culture, tools and knowledge to encourage and require investment professionals to act.
- Actors across the financial system signal the importance of sustainability issues through their interactions with peers and wider networks along the investment chain. Asset owners and managers use engagement to encourage more sustainable corporate behavior.

CAPITAL IS MOBILIZED IN SUPPORT OF SUSTAINABLE DEVELOPMENT

- The entire financial system reinforces the mobilization of assets to finance sustainable business practices. Funds are allocated toward sustainable products, and ESG considerations are integrated across all aspects of financing and investment decision-making. The cost of capital decreases for sustainable business activities, while increasing for those that are unsustainable.
- Asset owners put increasing pressure on asset managers to integrate ESG considerations into all financial investments, making the consideration of long-term sustainability risks and opportunities an explicit part of the investment mandate and asset manager selection process. Asset managers, in turn, pressure issuers to manage and report on ESG risks and opportunities.
- Investment consultants and banks enhance efforts to provide advice and sell-side research that helps to ensure asset owners and managers are aware of the long-term sustainability risks and opportunities within their clients' portfolios. Credit rating agencies also improve the integration of sustainability issues into their assessments of credit risk.
- Banks take action to align their customer financing activities with the Paris Agreement and sustainable development.

ROBUST MARKET INFRASTRUCTURE FOR FINANCIAL PRODUCTS IN SUPPORT OF SUSTAINABLE DEVELOPMENT EMERGES

- Meaningful and rigorous dialogue between companies and investors provides impetus for the development of critical system architecture that supports institutional and technical efforts to mobilize capital in support of sustainable development.
- A clear, globally recognized definition of sustainable investing is developed, including standardized terms and products. Consistent terminology, definitions and clear product labeling, backed by standards and verification, emerge to ensure the impact of sustainable investment products and to prevent mis-selling.
- Financial instruments, services and products (including insurance, securities, derivatives, bonds, structured products, etc.) that contribute to inclusive, impactful, sustainable and resilient outcomes, emerge and achieve scale.
- Convergence of standards enables the development of integrated indices and benchmarks, which provide users with comprehensive information on risk, returns, impacts and outcomes.

COMPANIES ENHANCE THE STRATEGIC INTEGRATION AND REPORTING OF ESG TO FACILITATE SUSTAINABLE CAPITAL ALLOCATION BY FINANCIAL INSTITUTIONS

- More and more businesses place sustainability at the core of corporate decision-making, with ESG signals becoming key considerations for CFO, treasury, corporate secretary and investor relations functions. ESG becomes a fundamental aspect of strategic analysis, enterprise risk management, equity performance and corporate resilience.
- Material, decision-useful and forward-looking ESG information is communicated by more and more companies on a timely basis, allowing investors to leverage it for assessments and responsive valuation. Financial institutions encourage companies to adopt best practice ESG disclosure guidelines, aligning with initiatives such as the Task Force on Climate-related Financial Disclosure (TCFD). Asset owners and managers drive companies to disclose sustainability information of increasingly better quality.
- Collaborative platforms bring companies and investors together to improve the specification, consistency and exchange of ESG information and communication, facilitating the emergence of more comprehensive, robust and comparable data on corporate sustainability performance.
- Regulators work to increase the consistency, timeliness and adoption rates of the disclosure of ESG information. Stock exchanges globally start to mandate ESG disclosure for listing requirements.

PEOPLE'S VALUES ARE RESTORED TO THE HEART OF THE FINANCIAL SYSTEM

- Enhanced global financial literacy makes individuals more aware of their role in the financial system and empowers them to take action to align the system better with their sustainability and ethical preferences.
- Individuals start to demand that their investments are aligned with sustainable development outcomes and build sustainability factors into the mandates they give to those who manage their money. Investors work to incorporate beneficiaries' and savers' sustainability-related preferences, regardless of whether these preferences are financially material.
- Retail banks provide customers with appropriate advice and incentives on how to support sustainable development through their personal savings, investments and pension products.
- Companies ensure that their corporate retirement plans integrate ESG considerations and are aligned with sustainable development, in line with growing employee demand.

FINANCIAL SERVICES SUPPORT INCLUSION AND EQUITABLE ACCESS AT SCALE

- Perspectives in the financial sector shift to support the development of products and services that enable universal financial participation. Large-scale and infrastructural product availability is balanced with micro-level product design and delivery.
- Organizations focus on supporting personal and social resilience and security in all corners of society. Financial products and services providers work to facilitate universal access to an increasingly diverse set of services for individuals including savings, insurance and credit.
- Access to sustainable finance for low-income communities, as well as micro-, small- and medium-sized enterprises, improves exponentially.
- Digital and mobile technologies are leveraged to overcome barriers to accessing financial services including geography, cost and disenfranchisement.
- Multi-stakeholder collaborations mobilize efforts to enhance financial literacy levels globally.

RELEVANT SDGs

1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

5.A Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

13.2 Integrate climate change measures into national policies, strategies and planning.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

17.3 Mobilize additional financial resources for developing countries from multiple sources.

FINANCIAL PRODUCTS & SERVICES

ACTION AREAS FOR BUSINESS 2020 – 2030

01 Advocate for an enabling a sustainable finance policy environment that supports transparency, evolution of concepts of fiduciary duty, and strategic approaches to valuing externalities.

02 Companies incorporate ESG-related risks and opportunities and natural, social and human capital impacts and dependencies into accounting processes and valuation assumptions.

03 Asset owners build clear and consistent ESG requirements and performance metrics into the instructions given to investment consultants and asset managers.

04 Retail and investment banks embed sustainability throughout their business models, developing a range of sustainable finance instruments, ensuring their own loans and investments are sustainable, and developing robust analysis of ESG factors on the sell side.

05 Corporates and investors come together with standard-setters and regulators to develop clear guidance on the specification, consistency and comparability of decision-useful sustainability-related information and communication.

06 Identify and address incentives that reward and give rise to short-term financial performance outcomes at the expense of sustainable development.

07 Credit ratings agencies enhance their analysis of the ESG risk exposure of sectors and companies across a range of issues including climate change, human rights, nature loss and water scarcity.

08 Support professional development standards and codes of ethics that foster sustainable finance capabilities and behaviors.

09 Develop investment allocation transparency for beneficiaries, pension holders and other retail investors, so that they can see where and how their money is invested, as well as associated sustainability-related impacts.

10 Facilitate access at scale to financial products and services, using accessibility as a fundamental design principle to support equity and financial inclusion while also exploring new partnerships and initiatives to enhance financial literacy globally.