

# Factsheet 8

## Sustainable Products and Services



CSR is a driver of innovation and transformation for any organisation. But this will only happen if the products and services offered also take account of the environmental, social and societal factors and impacts and if they form an integral part of the undertaking's CSR strategy. The finance sector can assess its positive and negative impacts through the financial products offered by the players in that sector. The ESG (environmental, social and governance) criteria are used to provide additional information concerning the investment opportunities and risks involved, thereby making it possible to build sustainable investment strategies.

This factsheet presents the approaches to integrating ESG factors in a range of financial products and services, and demonstrates the various methods by which a financial product can be characterised as "sustainable". It participates in, and contributes to, **Principle 3** of the Principles for Responsible Banking laid down by UNEP-FI.

Principle 3 of the Principles for Responsible Banking encourages signatory banks to work with their clients and customers in the latter's transition processes.

This means that the bank acts as a chosen partner; the increased business activity is rendered more sustainable; and risk management is improved and enhanced. A sustainable relationship with clients/customers, based on trust, is crucial for the success of any bank.

This principle corresponds to commitment 7.4 of the ABBL's Code of Conduct:

*7.4. They develop policies designed to increase awareness of clients in relation to sustainability and ESG matters, including, but not limited to, financial literacy and financial inclusion.*

### Principle 3: CLIENTS & CUSTOMERS



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

# Discovering

Within its ecosystem, an organisation interacts principally with 2 external forces:

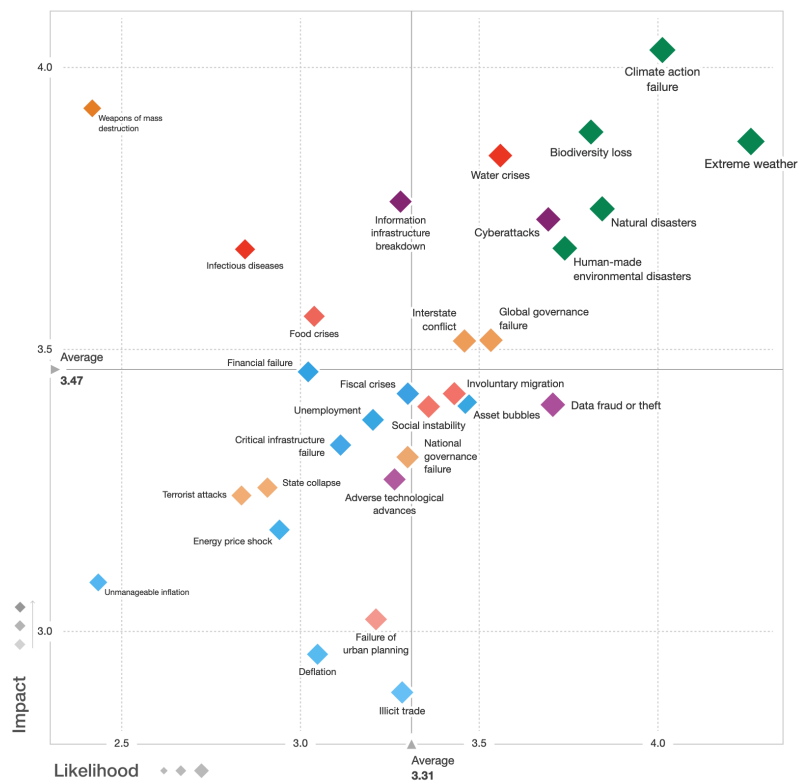
1. **Megatrends**, representing the great challenges for the future of our planet, involving societal, geopolitical and environmental risks;
2. **Stakeholders**<sup>1</sup>.

The [2020 report of the World Economic Forum](#) illustrates these megatrends by means of a risk-mapping diagram.

- Climate change is reflected by the ever-greater frequency with which natural disasters occur and an increase in extreme weather conditions; human activity is having a negative impact on ecosystems and their biodiversity, resulting from deforestation and the pollution of waters and rivers.
- Populations are facing new health crises and political crises, giving rise to significant migration flows; these population movements are compounded by the need to have access to drinking water, basic food and healthcare.
- Increases in the price of basic necessities, international geopolitical conflicts and data fraud and theft constitute economic and geopolitical risks affecting the entire globe.

**The Global Risks Landscape 2020**

What is the impact and likelihood of global risks?



<sup>1</sup> For more information on how to engage with your institution's stakeholders, please refer to [Factsheet 5](#).

These "global risks" are uncertain events or conditions which, if they occur, can cause significant negative impact for several countries or industries within the next few years. It is imperative that they be taken into consideration in any risk analysis (one particularly notable example of this is the COVID 19 crisis, which has affected the entire planet).

The **megatrends** which are influencing the global economies, and which will influence them in the coming years, are:

### Energy efficiency



### Protection of the environment and of the planet



### Demographic changes



### Technological developments



### Citizens' expectations



### Urbanisation



# Implementing

In the financial sector, these megatrends are defined as "ESG factors". These 3 factors are the main indicators of the sustainability and impact of an investment on a society or within an economic area.

They make it possible to determine the contribution that an undertaking makes to society, and to broaden and supplement the financial analyses carried out by undertakings (with a view to analysing profitability and risks). By using these ESG factors in the financial analysis, one is, in effect, carrying out an "ESG analysis", which supplements but does not replace the financial analysis. It is based on:

- **E – Environmental:** these measure the direct or indirect impact of the undertaking's activities on the environment (for example: CO2 emissions, electricity consumption, waste recycling, impact on biodiversity);
- **S – Social or societal:** these relate to the direct or indirect impact of the undertaking's activities on stakeholders (in particular, employees, clients/customers, suppliers and local communities) by reference to universal values (for example: human rights, international labour standards: safety, security, representation, etc.);
- **G – Governance:** these relate to the way in which the undertaking is run, managed and controlled (relations with shareholders, its board of directors and senior management, transparency of the remuneration of senior executives, the fight against corruption, etc.).

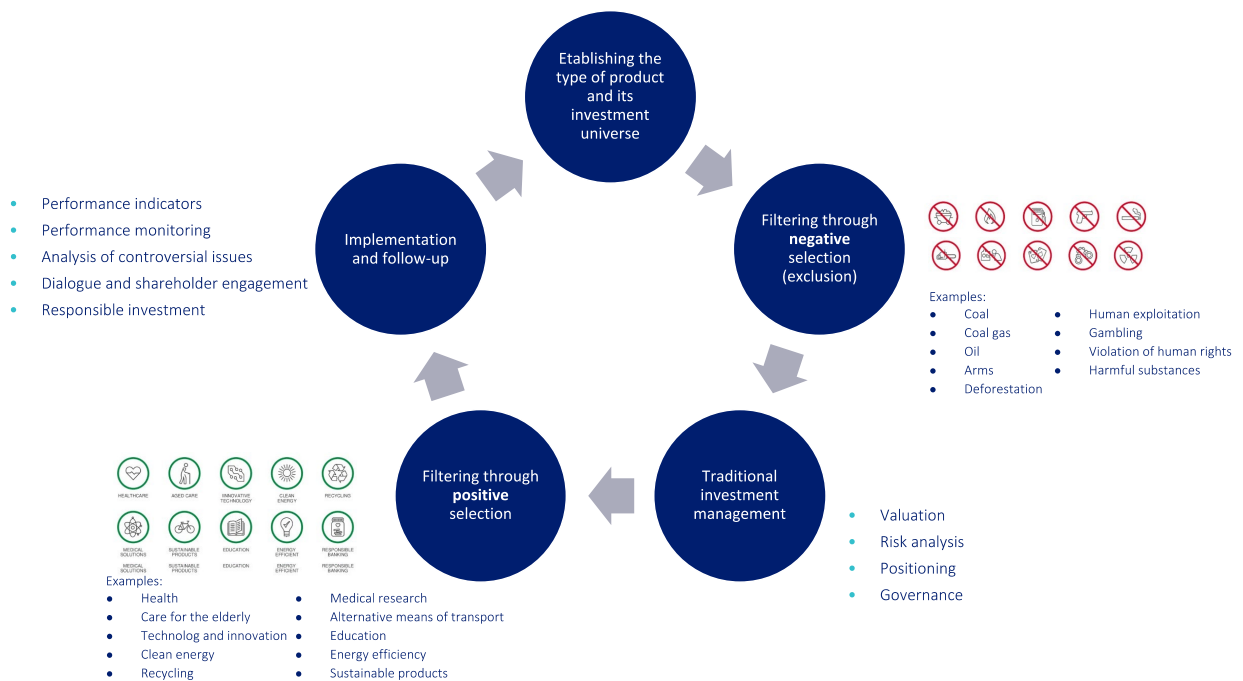
## Approaches to sustainable investment

Sustainable investment can be implemented in various ways, according to the desired sustainability goal and the positioning of the financial product. At the international level, the Global Sustainable Investment Alliance (GSIA) identifies seven main categories of responsible/sustainable investment strategies which are very similar to those defined by Eurosif at the European level:

1. **Exclusionary screening:** this strategy is aimed at excluding certain undertakings on the basis of ESG criteria;
2. **Norms-based screening:** exclusion may also take on a normative dimension where the filters defined are aimed at removing/excluding undertakings which do not respect certain norms or certain international conventions;
3. **Best-in-class/universe:** this approach is aimed at selecting/weighting the best undertakings in each sector (best-in-class) or in a well-defined universe (best-in-universe);
4. **ESG integration:** this strategy involves integrating ESG criteria into the traditional financial analysis, without putting in place a formalised framework. The analysis may assume a systematic dimension in the decision-making/investment process;
5. **Sustainability-themed investment:** this approach addresses specific investment issues such as renewable energy, water and/or human rights;

- 6. **Impact investing:** this consists in identifying investments the aim or impact of which is to respond to social or environmental challenges. The capital invested may, for example, be targeted at problems encountered by a disadvantaged or vulnerable population;
- 7. **Corporate engagement/shareholder action:** this strategy is aimed at promoting ESG practices in undertakings and taking active steps to encourage/stimulate measures to support respect for human rights or the environment. This may take the form of voting in general meetings, the tabling of resolutions and/or dialogue with the undertakings concerned.

## The selection process



# Next steps

## Evaluating and progressing

What stage have you reached? By measuring the level of maturity of your action, you can identify not only where you have got to but also the main areas needing improvement. A self-assessment tool is available for download, allowing you to quickly assess the level of maturity of your action by reference to each of the topics covered in the working group and set out in the form of practical factsheets. You can carry out the self-assessment in its entirety or just in relation to one of the topics concerned:

1. [Factsheet 1: Common language](#)
2. [Factsheet 2: Normative framework](#)
3. [Factsheet 3: Regulatory context](#)
4. [Factsheet 4: Governance and oversight](#)
5. [Factsheet 5: Stakeholder engagement](#)
6. [Factsheet 6: Identification of the issues involved](#)
7. [Factsheet 7: Performance indicators and transparency](#)
8. [Factsheet 8: Sustainable products and services](#)

## Toolbox

The ABBL has developed an online Sustainable Finance Glossary to help its members navigate through the terms and acronyms related to corporate social responsibility and sustainable finance.

## Training

- Take part in the '[Sustainable Finance: Foundation](#)' training programme. This has been set up by the ABBL in collaboration with the House of Training and with support from Forethix
- Find out the [various training programmes](#) enabling you to progress along your CSR pathway

## Participating, contributing and getting involved with CSR

- Obtain the [INDR label](#) and join the community of banks involved in a socially responsible movement
- Become one of the [banks that have signed up to the Principles for Responsible Banking](#)
- Share and discover CSR best practices with [IMS Luxembourg](#) and [ProRSE](#)

## About the ABBL

The ABBL is the largest professional association in the financial sector, representing the majority of financial institutions as well as regulated financial intermediaries and other professionals in Luxembourg, including law firms, consultancies, auditors, market infrastructures, e-money and payment institutions. This makes us truly representative of the diversity of the Luxembourg financial centre, placing us in a unique position, able to give the entire sector a voice at both national and international level.

We provide our members with the intelligence, resources and services they need to operate in a dynamic financial market and in an increasingly complex regulatory environment. We facilitate an open platform to discuss key industry issues and to define common positions for the entire sector.

[Find out more](#)

## About Forethix

Forethix is a leading independent consulting firm, dedicated to responsible investment and corporate responsibility. Our team of experts advises investment professionals and business leaders on the alignment of financial performance and sustainability. We help investors, asset managers, companies and political decision-makers at national and international level to understand and integrate ESG factors in their measuring, oversight and reporting systems, in accordance with international standards. We operate in Europe, in the MENA region and in Africa.

Forethix is a certified training partner of the Global Reporting Initiative in Luxembourg, Morocco and France, a GRI Data Partner for the Benelux countries, a verification expert for the Institut National de Développement Durable et RSE - Luxembourg, an Associate Member of LuxFLAG, a Service Provider under the UN Principles for Responsible Investment – UNPRI, and a signatory to the UNEP-FI Principles for Responsible Banking.

[Find out more](#)