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A Multi-sector Approach for a Sustainable Future - The Role of the Banking Sector

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Abstract

Achieving a sustainable future requires a cohesive multi-sector approach, where the banking sector can play a pivotal role in driving environmental and social sustainability. Banks have the unique ability to influence diverse economic activities across industries, shaping responsible practices and supporting the transition to a more resilient and inclusive future. As key enablers of economic growth, banks can create a profound indirect impact through their lending practices. By embedding Environmental and Social Risk Management (ESRM) into financing decisions, banks can ensure that projects align with local regulations, international conventions, and industrial best practices such as the International Finance Corporation (IFC) Performance Standards. Financing can be directed toward initiatives that prioritize resource efficiency, circular economy models, and green innovations, avoiding high-risk activities that could lead to environmental degradation or social harm. The banking sector can also play a vital role in mitigating the risks of climate change and biodiversity loss. By integrating environmental, social and climate risk assessments into decision-making, banks can promote resilience and ensure compliance with principles such as "Do No Significant Harm to the environment". Resource conservation/ energy saving can be integral to this approach, fostering environmental stability and reducing long-term risks. Banks collaboration with other industries, regulators, and other financial institutions can promote established sustainable practices, creating shared frameworks / level playing field for risk assessment and management. Rigorous monitoring and transparent reporting aligned with global standards like the Global Reporting Initiative (GRI), Integrated reporting (IR), Task Force on Climate-Related Financial Disclosures (TCFD) and International Financial Reporting Standards (IFRS) General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures etc. enable stakeholders to track progress and hold institutions accountable. Through a multi-sectoral approach, banks can act as catalysts for sustainable development, influencing industries, governments, and communities to adopt responsible and sustainable practices. By integrating environmental and social considerations into their operations and financing, the banking sector fosters resilience, inclusivity, and long-term sustainability across all sectors, driving the collective pursuit of a sustainable future.

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