

# BANKS & CLIMATE



FÉDÉRATION  
BANCAIRE  
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# EDITORIAL

# FRENCH BANKS ARE SPEARHEADING GREEN AND RESPONSIBLE FINANCE

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Financing the energy transition is the challenge facing our banks, which are ramping up their individual initiatives and collective commitments to do so. In July 2019, they reiterated their collective commitment to combating climate change with a series of undertakings to round out their individual efforts. The Paris Europlace declaration provides for the creation of an observatory to monitor the actions and achievements of members of the Paris Financial Centre in green and sustainable finance. This marks a real step forward and comes alongside ongoing methodological research being conducted with the supervisory authorities to improve the assessment of portfolio exposure to climate risk. Banks also undertook to implement coal strategies with a global divestment timetable.

In September 2019, the French Banking Federation (FBF) officially endorsed the UNEP FI Principles for Responsible Banking.

These measures reinforce the bold policies already adopted by French banks in support of the transition to the economy of the future. Their active commitment to this transition is reflected in large-scale climate projects (wind farms, solar power plants), North/South partnerships, the range of innovative solutions to finance their clients' green projects (for individuals, businesses, local authorities and governments) and savings products designed to protect the environment. The wide range of solutions offered by French banks enable them to finance all types of projects, from sustainable infrastructure to the thermal renovation of individual homes.

Significant amounts are assigned to green financing, with the six biggest French banks

earmarking €35.8bn for renewable energy financing in 2018 and €15bn in regulated savings deposits used by banks to finance energy efficiency improvements in older buildings. France was the biggest issuer of green bonds in the first half of 2019, with \$15bn in bonds issued, representing 14% of total global issuance.

Climate risk is clearly integrated in banks' strategies. Banks consider their clients' energy mix when adjusting their financing and investment policies. And they have proposed a tangible, innovative solution to boost financing for the energy transition by the banking industry – the Green Supporting Factor.

All these initiatives confirm that French banks are committed drivers of green finance on the world stage. However, to allow the movement to gather pace, all members of the ecosystem – government departments, local authorities, businesses and households – must invest in renewable energy. To achieve this, information and support must be available to give everyone the means to undertake the necessary renovation work.

In this document, we illustrate the commitment and most remarkable initiatives taken by French banks. There is no question that we will pursue our efforts, both individually and collectively. Regardless of the obstacles we may encounter, we remain determined to pursue our shift towards green and sustainable financing for the ecological transition.

**Benoît de La Chapelle Bizot**

Acting Chief Executive Officer of the FBF

1.

GREEN  
ECONOMY

# THE GREEN ECONOMY, FRENCH EXPERTISE RECOGNISED AROUND THE WORLD

With the development of green bonds, the pledges made by the Paris Financial Centre, financing for large-scale climate projects (wind farms, solar power plants, etc.) and the North/South partnership, French banks are fully committed global leaders in green financing.

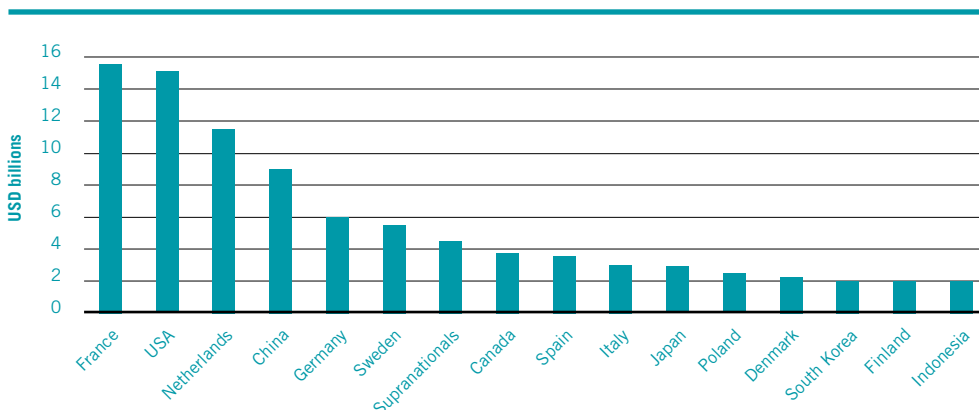
## FRANCE LEADS THE WAY IN GREEN BONDS

When it comes to financing solutions for projects associated with the impacts of climate change, green bonds are an effective and increasingly sought-after tool.

Green bonds can be issued by a company, a local authority or an international organisation and are specifically intended to finance projects or activities with a direct environ-

mental benefit, for example renewable energy, energy efficiency, adapting to climate change, etc. Unlike traditional bonds, which can be used to finance any activities, the funds raised by issuing green bonds must be earmarked for green projects.

In June 2019, France was the world's top issuer of green bonds, ahead of the United States, China and the Netherlands, confirming its lead in developing green bonds.



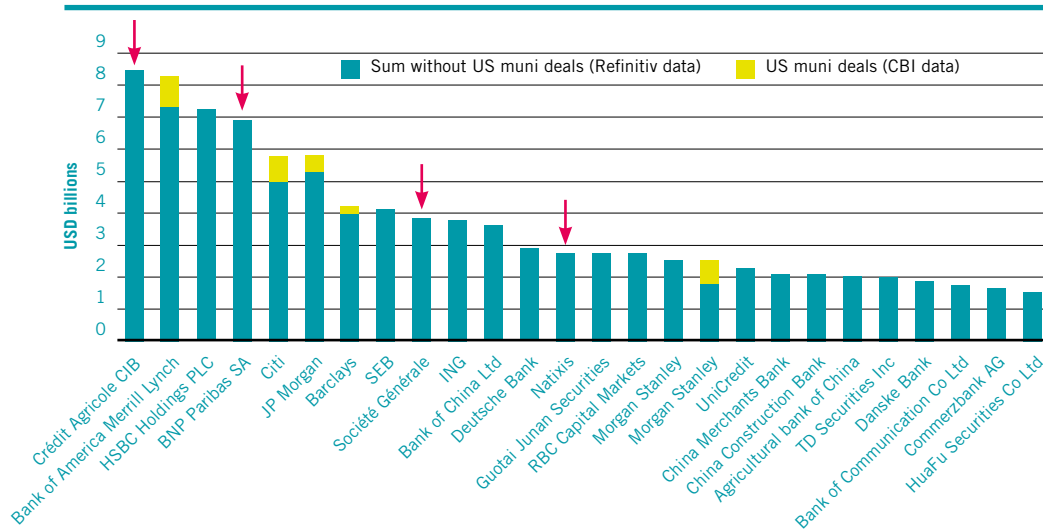
Top 15 issuers of green bonds in the first half of 2019

(Source: Climate Bonds Initiative, June 2019)

## French banks – pioneers in green bonds

French banks have established an internationally renowned reputation for green bonds. The high volumes of issues arranged

(16% of total issuance in 2018), their capacity for innovation and their pioneering role in helping create the green bonds market ten years ago secured French banks' position as major players on the global market.



## Ranking of green bond investors in 2018

(Source: Climate Bonds Initiative)

**Crédit Agricole**, world number one bookrunner for green bonds via its subsidiary Crédit Agricole CIB, arranged more than 50 deals in 2018 for a total of over \$40bn. It made its first proprietary issue of green bonds totalling €1bn at the end of 2018.

**BNP Paribas** issued its third green bond totalling €750m in March 2019. The Group's three green bonds have raised a total of €1.75bn, solely used to finance or refinance eligible assets in the renewable energy, energy efficiency, public and mass transport, water treatment and recycling sectors. BNP Paribas was joint lead manager for the issuance of €6.3bn in sustainable bonds, including the first ever issue by Société du Grand Paris to finance the Grand Paris Express automatic metro, amounting to €1.75bn.

**La Banque Postale** completed its first green bond issue for €750m in April 2019 to refinance wind and photovoltaic energy development programmes. In addition, La Banque Postale AM contributed to the expansion of this market by investing over €2.6bn in green bonds as of the end of 2018.

**HSBC France** was joint lead manager on several flagship green issues including the first green bond issued by Société du Grand Paris, the first green bond issue by the Pays de la Loire region and a perpetual green bond for Engie. In 2019, HSBC was lead manager for the world's first ever 100-year green bond issued by SNCF Réseau. In partnership with the International Finance Corporation (IFC), HSBC Group also set up the first global green bond fund intended to improve climate financing for developing economies.



## THE GREEN BOND PRINCIPLES

Green bonds meet the criteria adopted in the Green Bond Principles (GBP). The GBP are regularly updated and provide investors with qualified information that can be used to assess the environmental impact of their investments and thus better structure their transactions. Issuers are required to observe the four following Green Bond Principles:

- providing proof in investor documentation that the funds collected will be used for a 'green' project generating one or more environmental benefits (the list of eligible green investments includes, but is not limited to, renewable energy, energy efficiency, prevention and control of pollution, preservation of biodiversity and clean methods of transport);
- analysing the environmental profile of financed projects and their environmental impact targets;
- earmarking all the funds raised for green projects;
- establishing, conserving and providing information, at least once a year, on the conduct of financed projects.

**Groupe BPCE** has set a target of issuing at least two sustainable bonds per year by 2020. Natixis increased its green bond arrangement business, which expanded from €964m in 2015 to €4.4bn in 2018, while its subsidiary Ostrum AM invested €2.3bn in green bonds.

In 2018, **Société Générale** co-managed the issue of 22 green bonds for a total of €18bn. Example flagship deals:

- **Formosa 1 Offshore Wind Project (Taiwan):** Société Générale raised a green credit facility and a green bond (1.6bn Taiwanese dollars, or €45m) to finance renewable energy projects in Taiwan, including the country's first wind farm;
- **ALD**, Société Générale's vehicle leasing and fleet management subsidiary, issued its first positive impact bond totalling €500m in 2018 to finance a fleet of hybrid and electric vehicles in Europe.

**Crédit Mutuel** Group is also stepping up its investments in green bonds. Its subsidiary CM-CIC Asset Management has created a proprietary analysis model to select bonds that observe the Green Bonds Principles and Environmental, Social and Governance (ESG) criteria. While the analysis of issuer risk is a decisive factor alongside ESG criteria, the main focus of the CM-CIC Green Bonds fund is the project being financed. This fund invests almost exclusively in green bonds and has been awarded Greenfin (formerly TEEC) certification. The Group's insurance subsidiaries are also investing more and more in green bonds, which account for an increasing proportion of net bond investments.

## A fast-growing global market, open to corporations

The global green bond market is expanding fast, with nearly \$168.5bn issued in 2018 alone. The trend has gathered pace in 2019, with \$117.6bn issued in the first half of the year, and an estimated total of \$250bn for the full year.

The market is driven by three main factors: sovereign bond issuance, the growth potential of emerging countries (e.g. China, India) and the market's expansion to corporate issues. Corporations were responsible for 46% of the amount of green bonds issued in 2018, whereas this type of bond was originally intended for supranational institutions (World Bank, European Investment Bank, etc.). (Source: Climate Bonds Initiative)



## GLOBAL MARKET SHARE OF FRENCH BANKS IN GREEN BOND PLACEMENT IN 2018

(Source: CA-CIB)

### **An attractive segment for issuers and investors alike**

Green bonds are a win-win for both parties:

- **for issuers**, green bonds offer the benefit of attracting responsible investors ready to make a long-term commitment. They help improve issuers' reputation and visibility on the market while diversifying their funding sources;
- **for investors**, green bonds mean an additional level of information on financed projects, including in particular their environmental impact. They also offer greater visibility on the products issued on the market and better liquidity, thanks to dedicated green bond indices (e.g. Barclays/MSCI, Bank of America, etc.) and the large size of green bond issues.

According to a survey in 2017, **74% of European investors take ESG into account** in their decision-making process. (Source: HSBC)

## PARIS, INTERNATIONAL LEADER IN GREEN FINANCE

The Paris Financial Centre, which boasts the largest green bond issuers in the world, is working non-stop to secure its position as the world capital of climate finance.

### **A strong ambition for the future**

In 2015, the French banking sector took the opportunity presented by the **COP21 climate conference in Paris** to renew its commitment to the energy transition. Under the umbrella of Paris Europlace, the banking industry committed to contributing to a sustainable low-carbon economy. Its commitments have been met, with most being surpassed. Accordingly, Paris was the first financial centre to declare its collective support for scientific consensus on the impact of greenhouse gas emissions and to take steps to ensure the financial sector helps accelerate the transition to a low-carbon economy.

Members of the Paris Financial Centre have since ramped up their individual and collective initiatives. After launching the **Paris Green and Sustainable Finance** initiative in November 2016, Paris Europlace launched a new brand in June 2017: **Finance for Tomorrow**. This initiative, which both expanded and accelerated the Paris Financial Centre's climate finance ambitions, aims to encourage members of both the private and public sectors to come together to build green and sustainable finance, combining long-term investments and the recognition of environmental and social challenges. Reflecting banks' strong commitment, international **Climate Finance Day** is now held every year in Paris.

In the **Declaration for Green and Sustainable Finance published on 2 July 2019**, the Paris Financial Centre sent out another strong sign of its commitment to stakeholders in the public and private sectors, announcing further pledges to help achieve carbon neutrality by 2050. This marks a new step forward, with the following promises:

- **to encourage members to adopt a coal strategy** with a global divestment timetable and to report on progress in their extra-financial reporting from 2020;
- **to continue methodological research** in partnership with the supervisory authorities on how to assess portfolio exposure to climate risk and align investment portfolios with the 2°C scenario;
- **to monitor commitments with the creation of an observatory** to monitor the actions and achievements of members of the Paris Financial Centre in green and sustainable finance. The observatory will boast a scientific committee and will be jointly governed by the main professional federations (AFG, FBF, FFA, France Invest) and Finance For Tomorrow.

### **The Green Supporting Factor – an incentive put forward by the banking industry**

If it wants to be the industry for economic development in the 21st century, the French banking sector must be an accelerator of the energy transition. Accordingly, since 2016, it has recommended the introduction of the Green Supporting Factor, an innovative incentive to encourage financing for the transition that will speed up climate investments by releasing additional capital. The Green Supporting Factor is rooted in three ideas:

- **more favourable prudential treatment** for energy transition financing and investments to reflect their benefit to society (incentive to promote the decarbonisation of bank balance sheets). By reducing the capital requirements for financing and investments in these assets, additional resources would be freed up to accelerate the energy transition;
- **eligible green assets would be identified by applying uniform criteria** at the European level, which could be built on existing initiatives or labels, such as the Climate Bond Initiative, the French Greenfin certification, or any other recognised label with similar characteristics;

- the Green Supporting Factor would apply to **commitments made by banks in support of all types of customers**, for example, individuals buying a low-emission vehicle, SMEs involved in the construction of green buildings, businesses working to build solar or wind power infrastructure, and governments through sovereign green bonds.



This proposal is still being debated under the European Commission's action plan on sustainable finance announced in June 2018. The review of the so-called CRR2 regulation introduces this notion and the EBA has been asked to assess the need for specific prudential treatment of assets based on environmental and/or social objectives.

The Chinese authorities are also considering a similar scheme.

## **FUNDING OF LARGE-SCALE CLIMATE PROJECTS: FRENCH BANKS ON ALL FRONTS**

Whether it is the energy transition and the development of renewable energy, improved energy efficiency or the expansion of 'positive impact' financing in general, French banks have participated in countless climate projects in France and around the world, thus promoting the emergence of a low-carbon society.

## Accelerators of clean energy projects

With a clear role to play in preventing climate change, banks have massively stepped up their investments in renewable energy sources in recent years. Their recognised corporate and investment banking know-how and the expertise they have gained in clean energy sectors (electricity and liquefied natural gas) enable them to offer innovative solutions for this type of project.

There are two possible financing methods: either direct loans or via **energy efficiency finance companies (Sofergie)**. To date, French banking groups have set up five Sofergie (BPCE Energéco, Norbail Sofergie, Bpifrance, Sogefinerg and CA-Unifergie).

**BNP Paribas** had granted €15.4bn in financing for renewable energy projects as of the end of 2018, exceeding its target of €15bn by 2020, equal to a two-fold increase since 2015. In 2018, the Group financed or advised on renewable energy projects representing more than 6.6 GW in installed capacity. As of the end of 2018, BNP Paribas' green investments totalled €9.2bn.

At **Crédit Agricole** Group, €571m in financing was granted for renewable energy and energy efficiency projects by Unifergie and LCL (and €3bn by the regional banks) in 2018. Crédit Agricole Assurances is the leading institutional investor in the energy transition in France, with capital commitments of €1.4bn. The Group has set a target of financing one third of renewable energy and energy efficiency projects in France by 2020.

**Société Générale** has supported the renewable energy sector for more than ten years and ranks among the world leaders in advisory and financing solutions in this area. As part of its strategic plan, *Transform to Grow*,

Société Générale has set a goal of contributing €100bn to the energy transition between 2016 and 2020. As of 31 March 2019, it had achieved 78% of this goal.

As both a cooperative and universal banking group, **Groupe BPCE** finances regional and large-scale projects. As of 30 June 2018, its outstanding renewable energy loans amounted to €7.5bn. Natixis has developed its deal arranger business by increasing its outstanding loans threefold (to €1.8bn) and multiplying installed capacity by a factor of 5 (to 7.1 GW). In addition, 68% of Natixis' electricity production projects use renewable energy sources.

From the inception of its asset and project financing business in 2014, **La Banque Postale** undertook only to finance renewable energy projects (photovoltaic plants, wind farms, small hydroelectric plants, etc.). As of end-2018 it had financed projects totalling more than €1.5bn and it aims to exceed €3bn in financing by 2023.

**Crédit Mutuel** Group's project finance department boasts a team focused entirely on the renewable energy sector. It regularly finances wind, solar and biomass energy projects all around the world. Its expertise in these fields enabled it to grow its credit commitments by 20% in 2019 to a total of nearly €1.4bn in projects in France and abroad.



# €38.5bn

## IN RENEWABLE ENERGY FINANCING BY FRENCH BANKS IN 2018

(Source: Registration Documents of the six biggest French banks)



## THE NORTH/SOUTH PARTNERSHIP: BUILT TO LAST

Realising the importance and the cost of financing the energy transition, in particular for less developed countries, for several years French banks have been building **strong partnerships to accelerate the energy transition in emerging and developing nations**. With the support of development agencies and multi-lateral organisations and agencies, banks are able to identify the right multi-sector projects for local populations.

These partnerships allow for both the structuring of local banking networks and the creation of climate solutions as well as providing support and financing for sustainable projects such as the development of green electricity, the correct use of biomass and sustainable forest management.

In 2018, **Natixis (Groupe BPCE)** once again played a leading role in renewable energy financing, in particular in **Latin America** and in offshore wind farms in **Europe**. Natixis is the world's number five Mandated Lead Arranger in renewable energy financing and is the leading arranger in the **Middle East and North Africa**.

In **Chile**, Natixis played a major role in the renewable energy sector in 2018, financing the Cerro Dominador power plant – the first project in Latin America to combine photovoltaic and concentrated solar power technologies. With capacity of 210 MW, it is currently the biggest solar power plant in the region.

**Groupe BPCE** innovated with the first investment by the Land Degradation Neutrality (LDN) fund set up by its subsidiary Mirova. This fund has been operational since late 2018 and it finalised its first transaction with an investment in the Urapí Sustainable Land Use programme. The first project developed, financed and launched by Urapí covers four coffees cooperatives in **Peru** and will rehabili-

## THE FRANCOPHONE BANKING UNION (UBF) AND THE CLIMATE

By virtue of their 'Contribution to the fight against global warming', published in November 2015, the federations and banking associations belonging to the UBF (including the FBF):

- put climate finance into action through the economic strategy for French-speaking countries;
- promote investments and financing geared towards low-carbon technologies and solutions;
- step up collaborations with companies to reduce the threat and impacts of climate change;
- step up collaborations with government authorities and regulators to create a positive framework to combat climate change;
- actively contribute to financial climate education.

tate nearly 9,000 hectares of degraded land as productive agroforestry systems, capture and reduce 1.3 Mt in CO<sub>2</sub> emissions and improve living conditions for 2,400 producers.

**Crédit Mutuel** is involved in many projects on all continents. In **Niger, Burkina-Faso**, the **Central African Republic, Congo**, the **Philippines** and **Cambodia**, CICM (Centre International du Crédit Mutuel) supports the development of independent cooperative networks and the provision of banking products and services to a large population, paving the way for the development of local economic activity. In **Latin America** and **Africa**, Banque de Luxembourg, a subsidiary of the Caisse Fédérale de Crédit Mutuel, is developing alternative investment solutions to finance sustainable agriculture and support rural producers.

**Société Générale** has been operating in Africa for over 100 years. The Group's long shared history with **Africa** is rooted in financing the real economy and taking a responsible approach to the continent's development. This commitment was reaffirmed in Société Générale's *Transform to Grow* strategic plan. The plan makes its African activities one of the pillars of the Group's growth, while establishing its 'Contribution to sustainable low-carbon growth in Africa' as a major goal of its CSR ambitions.

With the launch of the *Grow With Africa* initiative in November 2018, **Société Générale** undertook to play a leading role in sustainable low-carbon growth in Africa alongside international and local members of the private and public sectors. For example, in **Senegal**, Société Générale arranged €90m in financing to modernise a dozen towns with road construction and repair work and the creation of drainage systems and street lighting networks.

In **Cameroon**, Société Générale was financial advisor to the consortium formed of EDF, the IFC (International Finance Corporation, a World Bank subsidiary) and the Cameroon government for the construction of the Nachtigal hydroelectric power plant, a project of more than €1bn financed by around fifteen international and local institutions. Société Générale also coordinated the local financing tranche. On completion, the Nachtigal plant will account for 30% of the country's installed electricity production capacity.

**Crédit Agricole** Group is a shareholder of the Livelihoods carbon fund, the first climate investment fund to provide advances for projects conducted by rural communities in **Africa, Asia** and **Latin America**. Since its inception in 2011, the fund's ten corporate shareholders have invested nearly €40m in mangrove restoration, agroforestry and rural energy projects to improve the living conditions of underprivileged villagers while combating climate change.

The \$2bn Amundi - IFC/WB fund is dedicated to promoting green bonds issued by developing countries.

With an investment portfolio of more than €80m, the **Crédit Agricole Grameen Foundation** fosters the resilience of rural economies by supporting 75 microfinance institutions and entities with a positive social impact that contribute to rural development in **Africa, Asia** and **Europe**. The Foundation funds innovative projects alongside the regional banks and Crédit Agricole Group entities. For example, the Foundation and Crédit Agricole CIB pooled their resources to work on structuring and financing ZECI, a company selling solar kits in **Côte d'Ivoire**. This funding will give around 100,000 households in rural areas access to prepaid solar equipment by 2020.

**BNP Paribas** Group is present in 72 countries including 12 african countries. In **Africa**, like elsewhere, a number of projects and financing solutions contribute directly to local development and the United Nations Sustainable Development Goals. In the agricultural sector, the interest rate on a loan issued to Sucden is indexed to the certification of cocoa purchased from **Côte d'Ivoire**. Through partnerships representing a total of nearly €1bn in 2018, BNP Paribas provides specific support to selected customer categories and sectors, for example to improve energy efficiency in **Morocco**.

Together with the United Nations Environment Programme (UNEP), the World Agro-forestry Centre (WAC) and ADM Capital, **BNP Paribas** co-founded the Tropical Landscape Finance Facility (TLFF), an initiative to finance sustainable projects in **Indonesia**, in particular the production of natural rubber.



“Well aware of the urgency of issues raised by the climate crisis, the Paris Financial Centre is today taking on new commitments to help reach the objective established by France and other European countries of net zero carbon emissions by 2050.

- Encouraging members to adopt a coal divestment strategy, with a defined divestment timetable, and to include this in their extra-financial reporting from 2020.
- Conducting methodological research in collaboration with supervisory authorities on how to evaluate portfolio exposure to climate risk and assessing the alignment of investment portfolios with a 2°C scenario.
- Monitoring commitments with the creation of an observatory to track the actions and achievements of Paris Financial Centre members in the realm of green and sustainable finance.”

(Source: Paris Europlace, extract from the press release of 2 July 2019)

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2.

# CLIMATE ISSUES



# CLIMATE ISSUES, AT THE CENTRE OF BANKS' STRATEGY

As socially responsible investors, French banks factor environmental criteria into their financing decisions and incorporate climate risk in their investment strategies. They published their first Non-Financial Performance Reports in 2019. The strategic dimension of issues relating to the ecological transition is described in their management reports.

## NON-FINANCIAL REPORTING TRANSPARENCY BY FRENCH BANKS

French banks are committed members of society and are working alongside national and international authorities to enhance the transparency of their non-financial reporting. Non-financial reporting encourages companies to disclose their social and environmental impact, providing an incentive for them to adopt the strictest standards in this area and to continually improve their performance.

### Article 173: a world first

Under Article 173 of the French law on the energy transition for green growth enacted in 2015, French banks report on how they incorporate **Environmental, Social and Governance (ESG) criteria and climate risk in their financing and investment decisions**. They also actively participate in Paris Europlace initiatives to implement stress tests incorporating climate change risks.

This French legislation, which was a world first, has the full support of the country's banks. By calling for banks to disclose the ESG performances of their portfolios and the contribution of their investments to combating climate change and promoting the energy transition, Article 173 encourages responsible investment.

In practice, each bank:

- measures the carbon intensity of its portfolios, analyses the sectors and companies with the highest greenhouse gas emissions and offers zero-carbon investment funds: socially responsible investment (SRI) funds or funds with Greenfin certification;
- identifies climate risks, including transition risk (recalculating asset valuations from a low-carbon perspective) and physical risk (consequences of climate events).

## Even more transparency with the Non-Financial Performance Report

The enactment of the 2014 European Non-Financial Reporting Directive led to the publication in 2017 of a ministerial order and decree of application in France. This legislation, applicable for financial periods from 2018, requires companies to publish a **Non-Financial Performance Report**, which must be reviewed by an accredited independent auditor.

Accordingly, for the first time in 2019, French banks published a Non-Financial Performance Report describing the main ESG issues relating to their activities in their annual management report. This report measures the social and environmental impact of banks' activities and encourages them to improve their performance in this area. The report includes four aspects:

- a presentation of the business model;
- an analysis of the main ESG risks;
- a description of the policies applied and due diligence procedures;
- the results of these policies and performance indicators.

This report allows banks to present specific information on their social, societal and environmental performance in terms of the main risks incurred and policies followed. It better informs the public about how they manage social and environmental risks. It also provides companies with a valuable tool for strategic oversight.



THE NON-FINANCIAL  
PERFORMANCE REPORT IS A  
VALUABLE TOOL FOR REPORTING  
AND STRATEGIC OVERSIGHT  
REGARDING THE ENERGY  
TRANSITION.

The **Integrated Report** – a concise analysis of a company's financial and ESG performance in terms of its strategic objectives – is also gaining ground. For example, **Société Générale** published its second Integrated Report in 2019.

## A source of inspiration in Europe and around the world

This French reporting standard and associated initiatives serve as an example to the rest of the world. For example, in June 2017, a group of experts under the G20 Financial Stability Board (**Task Force on Climate-related Financial Disclosures or TCFD**) published a series of recommendations on climate information to be disclosed by companies, inspired by Article 173 of the French law. These recommendations are for voluntary application, but more and more companies are applying them.

The **Network for Greening the Financial System (NGFS)** acknowledges that climate risk is a source of financial risk. In a report published in April 2019, the NGFS recommended incorporating climate risks into financial stability monitoring and micro-supervision. This involves assessing climate-related financial risks in the financial system and integrating them in prudential supervision.

Article 173 was also used as a model for work conducted by the European Union:

- the introduction of a similar assessment is one of the proposals put forward by the European Commission High Level Expert Group on Sustainable Finance (HLEG) in its report on '**Financing a Sustainable European Economy**' published in January 2018;
- as part of its action plan on sustainable finance, in May 2018 the European Commission published a **proposal for a regulation on disclosures relating to sustainable investments and sustainability** (currently being adopted);

- in June 2019, the European Commission published **Guidelines on reporting climate-related information** to round out the 2014 Non-Financial Reporting Directive. These guidelines include the TCFD recommendations.

## BANKS' STRATEGY INCORPORATES THE TRANSITION TO A LOW-CARBON ECONOMY

The French banking sector took the opportunity presented at the COP21 Conference in Paris to renew and double-down on its commitment to the fight against global warming. As they have a key role to play in shaping the energy transition, for many years **banks have been massively reducing their investments in coal-related industries and channelling funds into renewable energy sources.**

By financing investments to improve energy efficiency, reduce carbon emissions and build sustainable infrastructure, banks are major accelerators of the transition towards the economy of the future.

### Ambitious sector policies

To ramp up green financing, French banks are constantly setting new sector policies with high standards for those sectors deemed to be sensitive from an environmental and social perspective (such as energy and mining<sup>1</sup>). **In particular, they have set tough standards to divest from coal** (they no longer finance new projects related to coal mines or coal-fired power plants) and to encourage their clients to adjust their energy mix.

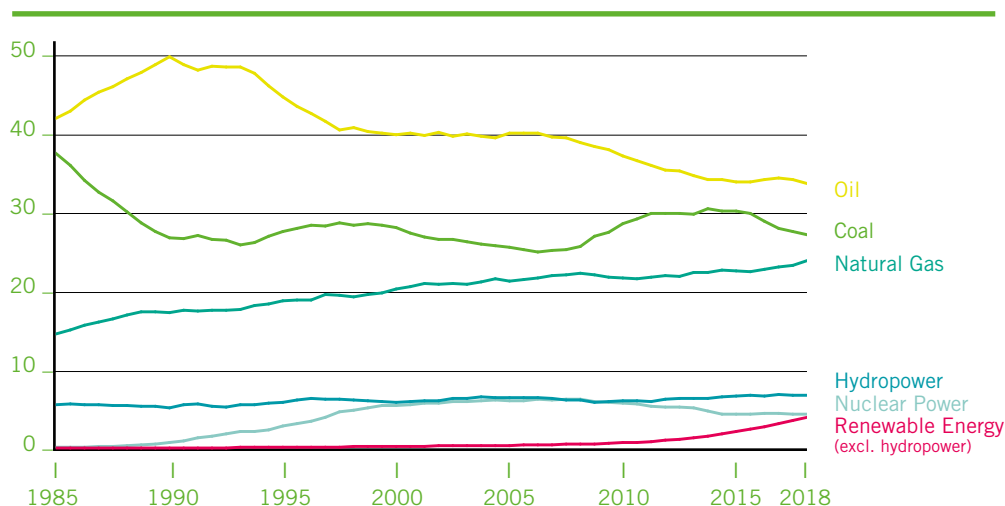
These policies are a practical way for them to incorporate climate risks associated with the business sectors they invest in, and to define their engagement criteria. **Banks look at com-**

**panies' energy mix to adjust their financing and investment policies.**

Their terms of engagement are determined by:

- the integration of ESG requirements in addition to business performance criteria (**BNP Paribas, Crédit Agricole, Groupe BPCE**), the systematic use of an ESG check list (**La Banque Postale**), the systematic review of CSR analysis by the Risk function in the lending and investment decision-making process (**BNP Paribas**), the incorporation of ESG criteria in all investment processes by 2020 (**BNP Paribas Asset Management**);
- the identification of benchmark international standards and the selection of appropriate assessment criteria to be applied to clients and transactions, with regular updates to strengthen the overall framework (oil and gas in 2018, coal in 2019) (**Société Générale**), best practice as recognised by international authorities or major professional bodies (**Crédit Agricole**), dialogue with NGOs and action groups (**HSBC Group**), dialogue with NGOs and the tightening of sector policies (unconventional oil and gas, coal) (**BNP Paribas**);
- setting boundaries on the scope of intervention and rules to be followed for activities that have the highest social and environmental impacts (**Crédit Mutuel Group**), qualitative sector analysis (**La Banque Postale Asset Management**), additional assessment criteria for business sectors with major ESR risks and those located in sensitive countries (**BNP Paribas**);
- commitments to no longer grant 'general-purpose' corporate loans in certain business sectors (**Groupe BPCE – Natixis, La Banque Postale**).

(1) These sector policies cover a varying number of sectors: mining, coal-fired power plants, oil, gas, nuclear energy, dams, farming, fishing, forestry, biodiversity, palm oil, tobacco, defence, transport, etc.



## Breakdown of primary energy consumption in the world

(Source: BP Statistical review of world energy 2019 – 69th edition)

### Climate risk taken into account

Drawing on insurers' expertise in climate risk coverage, banks have incorporated the climate into their strategies for a long time. As a variable that can impact the value of investor portfolios and borrowers' repayment capacity, **climate change is taken into account as a risk and measured accordingly by banks.** They use software enabling them to measure their exposure to climate risk in respect of their financing activities and the assets they hold.

At **Société Générale**, since 2016, the risks related to climate change (physical and transition risks) have been included in economic and sector research and are a component of the analysis of individual credit applications for the countries and sectors the most at risk. In 2017, a mechanism for measuring the impact of a scenario related to the materialisation of climate change-related risks was integrated into the risk mapping presented to the Board of Directors' Risk Committee. In October 2018, the General Management risk management committee, which sets the Group's risk strategy, strengthened governance with a view to increasing the credit risk management

capacity in the appropriation of climate challenges. This Committee has set itself the goal of:

- defining and maintaining benchmark scenarios, and gradually integrating a climate vulnerability assessment for each client in the sectors sensitive to transition risks;
- approving credit policy guidelines for portfolios sensitive to environmental challenges and policies that do not have dedicated supervision.

In June 2019, **Crédit Agricole** Group adopted restrictive measures on financing for companies with thermal coal activities and undertook to gradually reallocate its portfolios and assets under management in accordance with the Paris Agreement. **Crédit Agricole** also announced it would introduce a group-wide transition scoring system for its corporate clients by 2020, to measure their contribution and capacity to adapt their business model to the challenges of achieving the energy transition and combating climate change.

**Société Générale** and **Crédit Agricole** use the P9XCA method to measure the carbon footprint of their balance sheet commitments and identify sectors with the highest carbon emissions.



## REDUCING MARITIME TRANSPORT GREENHOUSE GAS EMISSIONS

Banks are committed to reducing the greenhouse gas emissions arising from maritime transport. As an example, in 2017, the European Investment Bank, **Société Générale** and Brittany Ferries signed the first green maritime credit facility. **Crédit Agricole** financed Corsica Linea's first new liquefied natural gas powered vessel acquired in 2019.

In 2015, **BNP Paribas** committed to aligning its financing and investment activities with the International Energy Agency's goal of limiting global warming to 2°C. In line with the Paris Agreement, BNP Paribas has stopped financing coal mining and coal-fired power plants and decided to do the same for companies and infrastructure predominantly operating in unconventional hydrocarbons, including shale oil and gas as well as oil derived from bituminous oil sands. In addition, further to the UNEP FI working group on the application of TCFD recommendations, BNP Paribas is a co-funder of the development of Climate Risk & Impact Screening. In accordance with the TCFD recommendations, BNP Paribas and four other international banks shared a methodology at the COP24 summit to assess how loan portfolios align with the Paris Agreement scenario.

**Groupe BPCE** is revising all its sector policies to incorporate ESG criteria. **Natixis** has introduced an internal capital allocation

model known as the Green Weighting Factor, which assigns all its loans a rating based on their impact on the climate and other relevant environmental issues.

As part of its Socially Responsible Investment (SRI) analysis, **La Banque Postale Asset Management** (LBPAM) reviews each company's exposure to climate change and its ability to address future environmental risks. At the same time, LBPAM restricts its investments to issuers that have announced a carbon withdrawal plan with: an exit strategy taking into account the specific geographical criteria identified by the IPCC<sup>2</sup>; the closure or transformation of assets, rather than their sale; the incorporation of social and societal impacts in site closures.

Since 2016, **HSBC France** has conducted assessments on how its lending portfolio aligns with the 2°C scenario in four sectors that are important for the bank and for reducing the economy's carbon emissions (energy, transport, real estate and industry) and on its entire portfolio of loans to businesses. This top-down analysis is rounded out by a case-by-case approach in six priority sectors. This allowed the bank to build a low-carbon strategy for all its business lines, which now guides its financing and investment initiatives.

## DIVESTING FROM COAL

The leading French banks have policies to divest from fossil fuels:

- they no longer finance new projects relating to coal mines or coal-fired power plants;
- they have adopted stringent policies requiring their clients to adjust their energy mix.

(2) IPCC: Intergovernmental Panel on Climate Change.

In 2018, **Crédit Mutuel** committed to stop financing coal-fired thermal power plants and coal mining operations in all countries and to no longer work for clients that generate more than 50% of their revenues from coal-related activities. In 2019, it decided to tighten the rules for applying sector policies by incorporating clients' ESG ratings in decisions regarding their banking and financial transactions. The 2019-2023 strategic plan announced by Crédit Mutuel Alliance Fédérale increases financing for projects with a major climate impact by 30%.

**CM-CIC Asset Management's** internal SRI team is analysing climate change risk for its 200 largest direct investments (90.8% of outstandings) and their participation in the international goal of limiting global warming to 2°C. This analysis also measures the degree of importance each issuer places on innovation, its time to market and field of application (climate change, planetary equilibrium, preservation of biodiversity).

## RECOGNITION OF THE ACTION TAKEN BY FRENCH BANKS

The action taken by the French banking sector in both risk governance and addressing transition risk, which is the main area to which French banks are exposed, was acknowledged by the French supervisor, the ACPR, in its report entitled **"French banking groups facing climate change-related risks"** published in April 2019.

The ACPR notes that progress has been made in the incorporation of climate risk in banks' strategy with the growing recognition of climate risks by risk departments, commitments to divest from activities with high greenhouse gas emissions and the development of metrics to manage the gradual reduction in their portfolios' carbon footprints.

A recent global study called **"Banking on climate change"**<sup>3</sup> looks at financing granted to more than 1,800 companies in the coal, oil and gas sectors by the world's 33 biggest banks from 2016-2018. The banks were ranked in terms of loans granted for fossil fuels globally and regionally and assessed for their commitment to reduce fossil fuel financing. French banks were shown to be among the least involved in these activities.



**THE BANKING SECTOR IS ACTIVELY PURSUING INDUSTRY-WIDE EFFORTS WITH THE SUPERVISORY AUTHORITIES TO FURTHER ADVANCE MUTUAL UNDERSTANDING OF THE ISSUES FOR THE FINANCIAL SECTOR.**

(Source: FBF statement, 10 April 2019)

## An observatory of achievements by the Paris Financial Centre

In a declaration on 2 July 2019, members of the Paris Financial Centre announced the creation of an observatory to monitor their actions and achievements in green and sustainable finance. This observatory will be the preferred tool to demonstrate to stakeholders the gradual 'greening' of the Paris Financial Centre with appropriate indicators. It will give all stakeholders a clear, global vision. The French supervisory authorities, the ACPR and AMF, will monitor these commitments as part of their respective supervision of banks, insurance companies and asset management companies and their review of issuers' ESG performance disclosures.

(3) Banking on Climate Change - Fossil Fuel Finance Report Card 2019, an international group of 56 associations in the Rainforest Action Network.





“In general, there is progress in addressing climate risk at the level of the group strategy, some of which are associated with divestment commitments to some industries with high greenhouse gas emissions.”

“Previously, climate risk was principally a concern only for the CSR function within banking groups, mainly from a reputational risk perspective. However, there is today a growing recognition of climate change-related risks by risk management functions...”

(Source: French banking groups facing climate change-related risks, ACPR, April 2019)

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3.

# ECOLOGICAL TRANSITION



# ECOLOGICAL TRANSITION: AN INVESTMENT FOR OUR FUTURE

French retail banks are already addressing the challenge of ecological transition on a daily basis. They are offering an ever growing range of innovative and specific financial solutions to support and encourage their customers' efforts to preserve the environment. But it is up to each customer – both individuals and businesses – to be proactive and take advantage of the subsidies and financing solutions that are available so they can contribute to the ecological transition through their own actions.

## SUPPORTING GREEN PROJECTS EVERYDAY

French banks have actively facilitated financing for their customers' environmental projects for many years. As part of a wider ecosystem including the government, local authorities, business and individuals, banks are supporting and accelerating the energy transition by offering financing solutions.

For example, customers wishing to make energy efficiency renovations can apply for a **responsible, accessible, competitive loan** to fund their project: either a personal loan, which has no particular constraints and can be set up very quickly and with record low interest rates, a regulated interest-free loan (éco-PTZ), a home loan taken out on purchasing the property, or a combination of the above.

The French environment and energy management agency, ADEME, has emphasised that major efforts must be made to **support households in their renovation projects**

**even before considering financing solutions.**

Only 15% of households having completed renovation work say they received sufficient information<sup>4</sup>.

In response to this, the Ministry for the Ecological and Inclusive Transition, the Ministry of Territorial Cohesion and ADEME have set up the FAIRE scheme to encourage French households to carry out energy efficiency renovations. The objective is to help individuals carry out an energy performance review free of charge, to find appropriate energy efficiency renovation solutions and professionals and provide information about the different types of financial support available (local authority subsidies and grants, bank loans, interest-free eco-loans, energy transition tax credit, etc.). The FAIRE scheme can also help businesses find solutions and accreditation training. French banks are supporting this scheme and other initiatives to make it easier for individuals to understand and access support for the preparation and completion of their projects.

(4) ADEME, TREMI survey of individual home energy efficiency renovations, September 2018.

## **A collective commitment to green equipment**

In December 2018, the leading banking networks and specialised financing providers pledged to set up preferential rate loans to make it easier for individuals to finance in 2019 the purchase of an eco-friendly new or used vehicle or low-energy equipment for the home (boilers, etc.).

In June 2019, Bruno Le Maire, Minister of the Economy and Finance, welcomed banks' efforts to fulfil their pledge and noted that, **"Banks have expanded their range of competitive financing solutions for individuals to allow them to purchase cleaner vehicles or make energy efficiency renovations in their homes.** These efforts have widened the sources of funding available, ranging from dedicated loans to lease-purchase solutions or personal loans. Several banks also offer an advance to cover the amount of the government incentive to trade in older vehicles."

(Source: press release by the French Ministry of the Economy and Finances, 19 June 2019)

## **Various schemes for energy efficiency renovations in homes**

For many years, banks have been training and mobilising their networks to distribute solutions to finance energy efficiency renovations, including regulated schemes such as the **éco-PTZ interest-free eco-loan** available to individuals and commonhold associations.

Banks distributed 19,000 éco-PTZ loans to individuals in 2018 (Source: SGFGAS). The main obstacles to the development of this product are, on the one hand, its complexity for customers, professionals and banks alike, and, on the other hand, record low interest rates and the easy availability of other financing solutions.

To revitalise this product, the 2019 budget extended the éco-PTZ programme until 2021 with new terms applicable from 1 July 2019 aimed at simplifying the product to make it more accessible to individual customers in particular, at the request of the banking sector. Banks have pledged to distribute the new éco-PTZ as soon as the decree of application is published in the Official Journal.

Individuals can also find **a wide range of specific financing solutions** at their bank for energy efficiency renovation work and equipment: 'Prêt Économie d'Énergie' loans from **Société Générale**, 'Prêts Économie d'énergie' loans and advisory services from the **Crédit Agricole** regional banks, 'Crédinergie' loans from **Crédit Mutuel**, 'Rénovation énergétique' loans from **BNP Paribas**, 'Gamme verte' loans from **La Banque Postale**, 'PREVair' loans from **Banque Populaire** and 'Ecureuil Crédit DD' loans from the **Caisses d'Épargne**.

Clients receiving these loans are also provided with **advice and services**:

- **Crédit Agricole** offers a solution named Cal-culeo to help individuals finance their energy efficiency projects;
- in 2018, **La Banque Postale** set up a digital platform to advise and support customers with their renovation work. The platform has been extended to include subsidies from the Agence Nationale de l'Habitat (ANAH) in 2019. It provides a complete overview of subsidies available from the Ministry of Territorial Cohesion to fund energy efficiency renovations anywhere in France. It also includes the 'Habiter mieux' éco-PTZ loan for low-income families;
- certain home insurance policies cover renewable energy equipment (heat pumps, geothermal energy, aerothermal energy, photovoltaic panels) and the properties where they are installed, and provide electricity generation civil liability coverage (**Crédit Mutuel**).

Domofinance, a joint subsidiary of EDF and **BNP Paribas Personal Finance** specialised in financing energy efficiency in individual homes, has a total of €1.2bn in outstanding loans. It has financed over 530,000 projects since 2003. In 2016, the associated renovations generated total energy savings equivalent to the energy used by approximately 47,400 homes.

**Banks are establishing local partnerships in a bid to better meet the objective of renovating French homes.** These commitments are based on a 3-pronged approach: lending to individuals, financing renovations and mobilising professionals. For example, the PTZ Isolaris interest-free loan has been available in the Centre-Val de Loire region for the past ten years thanks to cooperation between four partner banks.

Banks are also innovating with **refinancing solutions**. For example, in July 2019, **Société Générale** successfully issued the first covered bond to refinance home loans granted for low-carbon homes. The issue was warmly welcomed by investors with final take-up exceeding €2.5bn. The covered bond issuance framework meets the requirements set in the Principles for Positive Impact Finance and the Green Bond Principles. This transaction demonstrates the bank's constant commitment to the energy transition.



€15bn

**OF REGULATED SAVINGS USED BY BANKS TO FINANCE ENERGY EFFICIENCY RENOVATIONS IN OLDER BUILDINGS IN 2018.**

(Source: Observatory of Regulated Savings, Annual report, June 2019)

## Financing for green mobility

For several years, French banks have offered loans at attractive interest rates to promote the **financing of green vehicles**. These loans can be combined with special auto insurance policies to cover certain types of breakdowns (electrical and electronic engine parts, battery). As an example, the **Banque Populaire banks** offer the AUTOVair loan while the **Caisses d'Epargne** have the Ecureuil Auto DD loan.

In December 2018, the biggest banks made **a pledge in favour of green mobility**: for the purchase of a clean vehicle, in 2019, they are offering preferential terms to finance the entire transaction, including an advance to cover the amount of the trade-in incentive bonus until the customer receives the payment from the government, for eligible purchases.

To help their professional clients limit their CO<sub>2</sub> emissions, banks' fleet management subsidiaries such as ALD Automotive (**Société Générale**) and Arval (**BNP Paribas**) steer them towards cleaner fuels, electric or hybrid vehicles and ride-sharing solutions. **BNP Paribas Arval** has issued new solutions to encourage its clients to use low-carbon vehicles: an innovative advisory service to enable fleet managers to establish and apply an energy transition strategy and a green mobility offer in partnership with Engie to simplify access to electric vehicles for businesses, local authorities and individuals.

## Help with the energy transition for business customers

Equipment diagnostic assistance, analysis of energy supply contracts, information on available financial solutions (subsidies, energy saving certificates, etc.), banks are hard at work helping companies of all sizes in their search for energy savings.

As well as meeting with their relationship manager, entrepreneurs can use solutions like **BNP Paribas'** website 'Change to green' or the offer available from **Société Générale** in partnership with the Confederation of Small Builders (CAPEB) and the company Économie d'Énergie to assist individual and professional customers with energy efficiency renovations.

**Crédit Agricole** offers its SME and intermediate-sized enterprise customers an Energy Advisory Service to help them finance their energy efficiency investments.

**BNP Paribas** helps business customers move towards carbon neutrality. With the ClimateSeed platform launched in 2018, the Group puts businesses seeking to promote and sell carbon credits in touch with others wishing to offset their emissions. In addition, BNP Paribas' retail banking division has set a target of issuing €3bn in business loans for projects relating to the energy transition by the end of 2021. At BNP Paribas Real Estate, the Group's real estate subsidiary, 100% of its commercial real estate business has the highest level of environmental certification.

**Crédit Mutuel de Bretagne** offers loans to finance energy generation and efficiency facilities: the Environnement loan to finance energy efficient buildings, energy efficiency renovations and upgrades to meet higher animal farming standards (including animal welfare), and the Agrinovéo loan to finance renewable energy facilities. The bank also supports young farmers starting out in organic farming.

### Local authorities and thermal renovations

Hospitals, administrative buildings, schools, social housing... the thermal renovation of public sector buildings represents a major, and very expensive, undertaking for local authorities. Banks are also active partners in this field, working to finance the energy transition.

Having issued over €6bn in loans, **La Banque Postale** is one of the principal fund providers for energy transition projects in the local public sector. Its digital platform providing assessment, advice and support is available to local public sector entities to facilitate their efforts. La Banque Postale also offers local authorities green loans for energy transition projects starting at €500,000.

The **Banques Populaires** and **Caisses d'Épargne (Groupe BPCE)** have committed to provide loans to local authorities to support thermal renovations in homes. They are also shareholders in dedicated regional structures in the Grand Est region (Oktave scheme) and Occitanie (AREC).

## COMBATING FUEL POVERTY

In an effort to combat fuel poverty, which can strike disadvantaged families, most banks have established national or regional agreements with non-profit networks dedicated to social inclusion and social action, focusing among other issues on fuel poverty. For example: the Créavenir, Ark'ensol and Cémavie programmes offered by **Crédit Mutuel** and the partnership between **Crédit Agricole**, EDF, Engie (formerly GDF Suez) and the SOLiHA federation.

Microloans are another invaluable tool in this fight. As of 2014, the **Caisses d'Épargne (Groupe BPCE)** launched a range of assisted 'energy poverty' personal microloans in partnership with the Abbé Pierre Foundation. **La Banque Postale** has also been testing a housing microloan to finance energy efficiency renovations since 2015, in conjunction with the public authorities and Caisse des Dépôts et Consignations (CDC).

## SAVINGS PRODUCTS DESIGNED FOR THE ENVIRONMENT

With solidarity-based savings and socially responsible investment solutions, banks encourage their clients to invest in sustainable development as much as possible. Financing for environmental activities has increased sharply over the past two years and now accounts for one quarter of solidarity-based funding, which amounted to €12.6bn in 2018, an increase of 8.7% over 2017. These activities include support for organic businesses and associations and, more generally, those involved in direct local food distribution channels or renewable energy. This enabled 22,600 new homes to receive renewable energy supplies. (Source: Solidarity-based finance review, Finansol - La Croix, June 2019)

↓  
**€367.4m**

IN SOLIDARITY-BASED SAVINGS  
FINANCED PROJECTS WITH A  
SOCIAL AND/OR ENVIRONMENTAL  
IMPACT IN 2018.

(Source: Solidarity-based finance review,  
Finansol - La Croix, June 2019)

### Sustainable development savings products

Banks offer their clients savings products that also give them an opportunity to show solidarity, particularly with respect to the environment. The amounts invested in sustainable development passbooks and deposit accounts are used to financially support local and/or innovative initiatives. Such initiatives

are increasingly aimed at protecting the environment or combating global warming. For example:

- **LDDS** (solidarity-based sustainable development passbooks): part of the funds collected from these passbooks is used to finance projects contributing to the energy transition or to reducing the climate footprint. LDDS are distributed by all banks.
- **CODEVair savings passbook**: the **Banques Populaires (Groupe BPCE)** have offered this savings passbook, used to issue environmental loans at subsidised rates, since 1999.
- **Éoloué term deposit**: created and sold by **Crédit Agricole** de l'Anjou et du Maine, it is used to finance the installation of photovoltaic panels on livestock buildings and wind farms for the Loué Farmers' Cooperative (CAFEL).
- **Solidarity-based finance**: loans drawn from dedicated passbooks or funds, steered in part towards energy and ecological transition projects. Thanks in large part to Mirova and **Crédit Coopératif, Groupe BPCE** has become a major player in the collection and management of Finansol-certified bank and employee solidarity-based savings.

### French banks are developing green investment funds

Banks are expanding their range of green investment funds, with various terms and conditions but a single objective: environmental protection.

Like the **Caisses d'Épargne** and the **Banques Populaires**, French banks are developing SRI funds whose investment strategy systematically incorporates ESG criteria.

The **SRI and Greenfin government certification schemes** are growing each year, covering respectively 222 certified funds and €57bn outstanding, and 30 certified funds and €7bn outstanding.



## GREENFIN LABEL

Greenfin certification qualifies assets held in investment funds based on a set of selective criteria with the aim of channelling savings into funding the ecological transition. Two representatives of the **French Banking Federation** sit on the Greenfin Committee. Greenfin is the first government certification scheme for green financing (formerly the TEEC label). It was launched at the COP21 climate summit in 2015.

Some funds combine profitability and carbon footprint reduction objectives via global low-carbon strategies (**HSBC France**, **LBPAM**) while others such as the environmental protection SRI funds offered by **Crédit Agricole** exclude sensitive business sectors (oil, gas).

Clients can also choose funds investing only in companies with a positive impact on the environment, such as the 20 certified funds offered by **La Banque Postale**, including SRI fund **LBPAM Responsable Actions Environnement** aimed at funding energy transition projects (renewable energy, circular economy, sustainable transport and mobility, green buildings, environmental services and solutions). This is the only equity fund with government-approved Greenfin certification.

**HSBC France** has set up the **HSBC Europe Equity Green Transition** fund, which invests in companies fostering the long-term transformation of their energy and ecological business model, based on Greenfin certification criteria.

**Crédit Mutuel Group** and its subsidiaries have launched several funds: **We Positive Invest**, a venture capital fund focused on three sectors (energy transition, circular economy and

social entrepreneurship); a formula fund, **Daipazen Climat**, exposed to the **Federal Objectif Climat** index (reduction of carbon emissions); a **Zero Carbon** fund; a **Strategically Aware Investment (SAI)** product; a **CM-CIC** fund, **Objectif Environnement** (green added value) which is **SRI-certified**.

**BNP Paribas Asset Management** offers a wide range of green funds that invest in alternative energy sources and energy efficiency in particular. Its green funds totalled €6.6bn outstanding at the end of 2018, for example **BNP Paribas Green Business**, a fund enabling French savers to invest in the energy and ecological transition, and **Parvest Global Environnement** and **Parvest Climate Impact**, which invest in businesses working in the renewable energy, water treatment or waste management sectors.

## SRI LABEL

The French SRI label was created by decree and introduced in January 2016 to make socially responsible investment (SRI) products more visible for savers in France and Europe. This label is owned by the French government.

**Société Générale** has set up the **LUMO** platform to channel savings towards renewable energy projects in the saver's own region.

Finally, banks also develop special life insurance products, including the first multi-vehicle solidarity-based life insurance policy by **Prédica** (a subsidiary of **Crédit Agricole**), which is **Finansol-certified**, guaranteeing the ethics of all funding. **Société Générale** offers **Érable Essentiel**, a solidarity-based life insurance policy investing in **SG Solidarité**, a **Finansol-certified** fund.





## BANKING MINI-GUIDES FOR THE CLIMATE

In 2015, the FBF began publishing a collection of 8 mini-guides with the goal of educating the public about the products and services offered by French banks to promote the energy transition, and particularly green financing solutions. French banks have developed a wide range of solutions for individual and business clients covering everything from homes and transport to savings and investments.

The mini-guides are regularly updated and expanded to include new climate initiatives, as part of the “Les Clés de la Banque” financial literacy programme, and can be downloaded free of charge from [www.clesclesdelabanque.com](http://www.clesclesdelabanque.com).



4.

# SUSTAINABLE DEVELOPMENT



# SUSTAINABLE DEVELOPMENT, A SOCIETAL ISSUE FOR BANKS

Improving the energy efficiency of buildings and networks, digitising documents, decreasing the impact of commuting and business travel and reducing the carbon footprint of payment instruments are just some of the milestones on the roadmap for sustainable development adopted by banking institutions. These objectives, set by banks with the support of their employees, form an undertaking that affects society at large. And through these objectives, banks prove that they seek their own interests only insofar as they serve the greater good.

## ECO-RESPONSIBLE MANAGEMENT OF BUILDINGS, NETWORKS AND RESOURCES

By strengthening their already ambitious sustainable development goals (reducing greenhouse gas emissions by up to 25%), banks are setting the bar for possible gains in terms of reducing the environmental footprint, making the environment a priority in their development and working to revolutionise practices.

These proactive policies affect all levels of the business: buildings, IT networks, paper consumption, business travel and commutes, etc. These measures are identified and assessed each year in banks' activity reports.

## Reducing banks' carbon footprint

The goal of reducing greenhouse gas emissions produced by banks is enacted via innovative programmes such as the implementation of an internal carbon tax, calculated on the basis of the entity's carbon footprint (amounting to €10/tCO<sub>2</sub> for **La Banque Postale** and **Société Générale**). The funds are then used to finance internal CO<sub>2</sub> reduction initiatives or to support environmental projects.

**BNP Paribas** is a carbon neutral bank due to its offsetting of the greenhouse gas emissions caused by its buildings' energy consumption and employee travel. It is continuing to reduce its CO<sub>2</sub> emissions in line with its target of cutting them by 25% in 2020 in relation to 2012.

**La Banque Postale** Group achieved carbon neutrality across its entire operations, including its 17 subsidiaries and its employees' commuter travel in 2018.

**Crédit Agricole** has been a shareholder of the Livelihoods carbon fund since 2011. This fund allows the Group to offset its carbon emissions while helping improve the living conditions of local villagers. Since 2018, Crédit Agricole SA and its subsidiaries have undertaken to offset their direct carbon footprint from energy and transport. Crédit Agricole has cut its greenhouse gas emissions by 10% between 2014 and 2018 through efforts to reduce energy consumption and business travel.

**Crédit Mutuel Group** pays close attention to its direct environmental impact: Crédit Mutuel Arkéa regularly measures its carbon footprint and Crédit Mutuel Alliance Fédérale has pledged to reduce its carbon footprint by at least 30%. The Group has chosen to apply a carbon footprint offsetting scheme to go beyond regulatory requirements. It calculates greenhouse gas emissions for all its entities and voluntarily taxes their production. Proceeds will go to the Crédit Mutuel Alliance Fédérale corporate foundation, which finances climate projects. At the same time, the Group is investing in ISO 50 001 certification to identify tangible ways of reducing its carbon footprint.

**Société Générale** has set a target of lowering its CO<sub>2</sub> emissions per employee by 25% over the period 2014-2020. As of the end of 2018, it had cut these emissions by 19%.



BANKING GROUPS  
AIM FOR A

25%

REDUCTION IN GREENHOUSE  
GAS EMISSIONS  
PER ENTITY AND EMPLOYEE

## **Buildings and networks** **targeting excellence in energy** **performance**

In France and abroad banks apply **strict criteria when choosing a building**: accessibility via public transport, environmental certifications, energy performance. They systematically perform energy audits to detect energy-intensive buildings and carry out the necessary improvement works. Performance steering tools are gradually being applied to all facilities to ensure continuous monitoring and improvement.

Improvements undertaken to reduce energy use notably include:

- 100% use of renewable electricity (**La Banque Postale**);
- installation of automated systems at branches (**Groupe BPCE**);
- use of urban geothermal facilities to heat buildings (**CIC**);
- use of digital radiators that recycle the heat produced by computers and servers (**BNP Paribas**);
- roll-out of energy steering tools (GREEN at **Société Générale**, SOBRE at **La Banque Postale**) to monitor and manage a building's energy consumption in real time and thus keep costs down.

Nearly all of **Société Générale's** central offices in France use renewable energy sources and, since 1 January 2019, 96% of the French retail banking network's sites use green electricity. Société Générale had set a goal of improving its central buildings' energy performance by 20% between 2014 and 2020. It has already achieved this goal, with a 21.8% increase in energy performance.



HQE (high environmental quality) certification, applied to eligible new buildings (**Société Générale**, **Groupe BPCE**, **Crédit Mutuel**, **Crédit Agricole**, **La Banque Postale**, etc.), also contributes to energy savings. **Société Générale's** new buildings, which were designed in line with environmental ethics and the circular economy, are certified and have won awards: Les Dunes technology hub won the Grand Prix SIMI award in 2017 and was awarded Ampère E+ WELL double certification (Gold and Platinum) and a Green Solution Award in 2018...

**BNP Paribas Real Estate** and CA Immo (a subsidiary of **Crédit Agricole**) are founding members of the BBCA (an association that promotes low-carbon buildings).

**Water consumption** is also rationalised by limiting water flow and installing motion detectors, drinking fountains connected to a tap water supply instead of water bottles, faucet aerators, automatic sprinklers, etc.

**Bank IT systems** (individual workstations, servers, data centres) make up a substantial portion of their energy bill and are thus also the focus of optimisation policies. **Société Générale** has taken several measures, including responsible digital design, data centre optimisation, use of cloud computing and the development of mobility solutions (home working and videoconferencing). It has set a goal of reducing the energy consumption of its IT systems by 4% per year (representing energy savings of 6.2 GWh/year).

**Crédit Mutuel Alliance Fédérale** has implemented a process that sees all Group computers automatically turned off at night and programmes them to reboot in the morning before the user gets to the office, reducing energy consumption by 5.7 GWh/year.

## Widespread recycling and digitisation of documents

For several years, banks across the board have been working to significantly reduce paper consumption, which is highly prevalent in bank operations. The recycling efforts launched at most banking offices (sorting programmes, use of recycled or eco-certified paper) have significantly reduced the use of paper. Digitising documents, an increasingly systematic and accepted practice (notably by clients), and the development of remote banking services (online or via mobile apps) have contributed to this momentum and are ushering in a revolution in how business flows are transmitted.



## RECYCLED OR ECO-CERTIFIED PAPER, ELECTRONIC DOCUMENTS, DEVELOPMENT OF REMOTE BANKING: MULTIPLE WAYS TO REDUCE PAPER CONSUMPTION

At **Crédit Agricole**, 85% of office paper comes from sustainably managed forests.

**BNP Paribas Group** set a goal of reducing paper consumption by 43% per employee between 2012 and 2020 and had already achieved 41% of its goal by the end of 2018. 62.5% of paper used is responsible paper.

**HSBC France** cut its paper consumption by 38% from 2014 to 2018 by streamlining client mailings, setting up an electronic signature platform and digital archiving system, and using electronic HR documents for the bank's employees. Finally, 97% of paper used by the bank is certified by the Forest Stewardship Council (FSC) or an equivalent authority.

At **Crédit Mutuel**, several regional groups have decided to only publish documents and print chequebooks on recycled or certified paper. In June 2016, Crédit Mutuel Arkéa launched ‘paper-free’ home loan to open up an avenue for significantly reduced paper consumption by the core business.

Since 2011, all paper used by **La Banque Postale** (account statements, chequebooks, office printouts, etc.) is derived from recycled paper or sustainably managed forests.

At **Groupe BPCE**, 86% of office paper is recycled and/or certified. Natixis has steadily reduced its paper consumption in recent years (by 24% in 2018) and it has introduced a profit-sharing top-up tied to paper and energy savings made by its employees.

### **Greener commuting and business travel**

With the aim of reducing the systematic reliance on car travel and its strong environmental footprint, banks are innovating to encourage their employees to use **clean methods of transport** (electric cars, bikes) or less-polluting solutions (public transport, car-pooling, etc.) in their business travel and commutes. Many banks have established Company Travel Plans. In addition, car-pooling websites have been created and use of bicycles is promoted.

Other examples include ride-sharing, provision of electric cars or bikes for business travel, and more restrictive travel policies encouraging the use of public transport systems instead of company or personal cars, or taking a train instead of a plane.

Greater use is being made of **home working** in certain business lines in several banks (**La Banque Postale**, **BNP Paribas**, **Société Générale**, **Natixis (Groupe BPCE)**, **Crédit Agricole**) to reduce travel.

At **Natixis (Groupe BPCE)**, 50% of employees regularly worked from home as of the end of 2018. At **Crédit Agricole**, nearly 15% of employees telecommuted in 2018 and a programme to develop home working has been set up under its mobility plan. At **Société Générale**, 23,000 employees around the world regularly worked from home in 2018.

**HSBC France** has signed the ‘Charter to reduce rush-hour congestion in La Défense’ with Paris La Défense and the Île-de-France region under which it will contribute to efforts to reduce overcrowding on public transport by promoting innovative working and mobility solutions such as regular or occasional telecommuting or personalised working hours. At end-2018, 12% of employees had chosen to telecommute on a regular basis.

**Videoconferencing** systems are increasingly used and are installed on all workstations in **Crédit Mutuel Group** and at **La Banque Postale** to avoid business travel for internal meetings and training (at Crédit Mutuel Group, this saved 125 million kilometres in journeys in 2018). **Société Générale Group** has turned to digital training solutions with MOOCs, rapid learning and micro learning.



**IMPLEMENTATION OF COMPANY TRAVEL PLANS, PROMOTION OF CLEAN TRANSPORT, VIDEOCONFERENCING, TELECOMMUTING: BANKS ARE ENCOURAGING THEIR EMPLOYEES TO TRAVEL “GREEN”.**

## CARBON-FREE PAYMENT SOLUTIONS ON THE HORIZON

Development of card uses and features, prioritisation of digital services and electronic payment instruments: banks are constantly innovating to invent the ever-more environmentally friendly payment instruments of tomorrow. They also offer other considerable benefits for the consumer: they save time, are more efficient and safer.

### Cards, cheques, cash: to each its own carbon footprint

As shown by a 2011 corporate survey by the **French Banking Federation**, each payment instrument generates its own environmental footprint. On a per-unit basis, debit cards have the lowest environmental impact, hands down. At the other end of the spectrum, cash

‘pollutes’ the most (per unit and in terms of transaction numbers). The environmental impact of card payments – for either in-store or remote purchases – is seven times smaller than for cash payments.

- **Cards:** the impacts are divided between the manufacture of the card (including the integrated circuit), travel by car to pick up the card, production of client and retailer receipts on electronic payment terminals, use of electronic payment terminals and data archiving servers (power consumption).
- **Cheques:** the impacts are mainly generated by paper production and travel by car to pick up chequebooks and deposit cheques at branches.
- **Cash:** the impacts are mainly generated in the supply chain (production, delivery, collection and recycling).

### Greenhouse gas (GHG) emissions of various payment instruments depending on their life cycle

POS PAYMENT	GHG EMISSIONS PER PAYMENT INSTRUMENT (IN GRAMS OF CO <sub>2</sub> EQ)	NUMBER OF PAYMENTS IN FRANCE (IN BILLIONS OF TRANSACTIONS – ECB FIGURES 2018)	TOTAL GHG EMISSIONS OVER ONE YEAR (IN TONNES OF CO <sub>2</sub> )
<b>Bank cards</b> (in-store purchases)	3	13.29	39,870
<b>Bank cards</b> (remote purchases)	4	1.91	7,640
<b>Cheques</b>	15	1.74	26,100
<b>Cash</b>	22	22 (FBF estimate at 30/06/2019)	484,000

(Source: FBF survey, 2011 - ECB figures, 2018)

### Prioritising digital solutions...

In the interest of efficiency, practicality, time-saving and better customer service, banks now widely offer digital services and electronic payment instruments generating less CO<sub>2</sub>. Dematerialisation of payments, made possible by new technologies, has significantly reduced the carbon footprint at all levels.

Omnichannel banking strategies using the latest technology (access via the internet, tablets and mobile apps) and electronic signatures reduce both travel and paper use in bank-customer relations:

- **24/7**, clients can check their accounts online, download statements and reports, and perform transactions (payments, credit transfers, stock market transactions, simulations, etc.) cutting down on paper use by 15-25%;
- **electronically signed contracts** (at branches or remotely) are received in digital format only.

In general, banks encourage digitisation by providing their customers with secure digital storage for documents such as account statements and transaction notices, reducing the need for paper documents.

### ... and electronic payments

- **Mobile and contactless card payments:** modern payment methods, which are partially replacing cheque and cash payments, help reduce CO<sub>2</sub> emissions more and more each year. In 2018, more than 2 billion contactless payments were made, and the decline in payments by cheque is gathering pace in France.

- **Debit cards:** several initiatives associated with the manufacture, distribution and waste management of debit cards help reduce CO<sub>2</sub> emissions. Most banks have thus extended the lifespan of their debit cards from two to three years.

**Crédit Agricole** has set up a new traceable recovery and recycling system for old debit cards: the precious metals they contain (silver, palladium, copper, gold) are purified and reused in the auto and electronics industries. In 2018, over 3 million cards weighing 16.5 tonnes were collected. The bank has also issued cards made from a new material produced from biodegradable and compostable corn starch (PLA - polylactic acid).



Developing the green economy is the second critical challenge in terms of businesses' transformation, alongside digital. Two thirds of banking sector employees will see their skills significantly impacted by green business. French banks have already begun to integrate the concepts of sustainability and 'greening' into their business lines. This was confirmed by the joint study by the Observatory of Banking Activities in October 2018, which is available on the website: [observatoire-metiers-banque.fr](http://observatoire-metiers-banque.fr).







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