

# Declaration of the Paris Financial Center

Paris, 2 July 2019

# A new step for green and sustainable finance

**The professional associations representing the Paris Financial Center are firmly committed to the development of green and sustainable finance.**

This commitment is based on the conviction that the transformation of the financial industry to a sustainable growth model guarantees the quality and performance of the services provided by its players, and contributes to the attractiveness of the Financial center in global competition.

Many actions have already been taken in this respect by banks, insurance companies, and asset management companies of the Paris Financial Center. Sustainable finance is increasingly becoming a core focus of their strategies.

The creation of Finance for Tomorrow as a branch of Paris Europlace epitomises these marketplace dynamics and both guarantees and drives this mobilisation.

On the crucial issue of combating climate change, at the COP21 in 2015, Paris was the first financial center to collectively endorse the scientific consensus on the impact of greenhouse gas emissions and to make commitments accordingly. We committed to ensure that the financial industry contributes to accelerate the transformation of the economy in order to achieve the objectives of the Paris Agreement.

The successful consecutive editions of the Climate Finance Day, coordinated by Finance for Tomorrow, demonstrate this collective commitment. At the same time, a large number of actors of the financial center have made individual commitments to increase their investments for the transition, reduce their carbon footprint, and enhance transparency on their actions.

**We are committed to contribute to the goal of “Net Zero carbon emissions” by the middle of the century**, sharing the goal pursued by France and many other European Union countries, which means to gradually, but as soon as possible, bringing all our activities into line with this goal.

The pace and extent of this transformation largely depend on the public policies that will be put in place at national, European, and international levels. This is why we call on governments to reach a consensus on the objectives of the Paris Agreement, to make the essential decisions needed to implement it, and to give all economic players the necessary signals.

It is equally clear that much of this global transition will take place with existing economic players, who must therefore be supported and financed to transform their energy mix and business models.

**Today we want to take stock of the achievements since 2015 and strengthen our commitments in order to accelerate the transition towards an economy compatible with international commitments to limit global warming.**

Our main challenges include:

- ▶ increasing support for businesses and individuals towards a low-carbon model;
- ▶ increasing capital mobilisation for the energy transition;
- ▶ continuing the effort to cut funding for activities causing the most harm to the climate.

We are convinced of the need for a rigorous and transparent monitoring of commitments, in order to bolster the trust of all stakeholders and the support of as many financial entities as possible.

# 1 REVIEW OF ACTIONS IMPLEMENTED SINCE THE MAY 2015 DECLARATION ON CLIMATE CHANGE

Major local initiatives have helped to give the Paris Financial Center a leading role in climate action financing:

## THE FINANCIAL CENTER LAUNCHED AMBITIOUS COLLECTIVE INITIATIVES DEMONSTRATING ITS COMMITMENT TO GREEN AND SUSTAINABLE FINANCE

A constructive, enduring dialogue between the financial community, businesses, and public authorities was established with the launch of Finance for Tomorrow within Paris EUROPLACE on 14 June 2017. This initiative mobilises and unites players of the Paris Financial Center wishing to commit to finance that focuses on a sustainable future. The Climate Finance Day now takes place on an annual basis.

## INVESTMENTS, FINANCING, AND INSURANCE GEARED TOWARDS LOW-CARBON SOLUTIONS AND TECHNOLOGIES HAVE BEEN DEVELOPED

### Insurers

Insurers have collectively established a roadmap to bolster the integration of environmental, social, and governance (ESG) and climate criteria into investment strategies. In 2017, they made €49 billion of green investments. To assist players in their responsible investment approach, the French insurance federation (FFA) published a series of guides, in particular on ESG engagement and exclusion policies and on methodologies for assessing the exposure of investment portfolios to climate risk.

The insurers members of the FFA have also expressed their will to stop investing in companies refusing to renounce to their plan to develop new coal-fired power plants. The main players, representing more than 90% of assets managed by insurers, have defined a policy on investments in activities related to thermal coal extraction/exploitation. Some insurers have changed their insurance policies by introducing underwritings restrictions on the most highly polluting activities.

At the end of 2017, they also committed to include at least one unit-linked product with an SRI, solidarity, or climate label in their life insurance offering. This will intensify with the measures adopted in the French PACTE law: in 2022, each multi-fund life insurance policy will be required to offer an SRI fund, a GreenFin fund, and a solidarity fund.

Lastly, insurers are fulfilling their primary mission to protect and compensate populations facing climate risk, thus contributing to the resilience of individuals and organisations.

### French banks

French banks have put in place ambitious sector-specific policies on fossil fuels. The major French banks have implemented policies to withdraw from coal and are no longer financing new projects involving coal mining or coal-fired power plants. They have implemented demanding policies on changing the energy mix of their customers. Various institutions have set investment targets for the transition. French banks were pioneers in underwriting green bonds, ensuring French leadership in this field. Several of them have established specific quantitative targets in this area.

As part of a collective commitment made to the President of the French Republic in December 2018, ASF banks and financing companies members also deployed a financing offer for individuals in favour of the transition, especially for the purchase of cleaner vehicles and home energy renovations.

The French Banking Federation mobilised its financial education program "Les clés de la banque" to publish, since 2015, a collection of 8 mini-guides designed to make the public more aware of the products and services offered in support of the energy transition, in particular the possibilities for green financing. In November 2015, the FBF also published the document "Banque et climat" to promote exchanges of best practices by presenting the most remarkable climate actions by French banks.

Lastly, in September 2016, the FBF was the first professional association to conceive, with the "Green Supporting Factor", a concrete proposal for prudential requirements favorable to financing and investing for the energy transition. This proposal, debated at the European level, will be the subject of a report by the European Banking Authority.

### Asset-management companies

have supported sustainable finance for many years. Taking into account environmental, social, and governance (ESG) criteria in investment policies is part of the priorities of most major actors. Within the committee for Responsible Investment and the Sustainable Finance commission of the French Asset Management Association (AFG), many projects have been realised, demonstrating the strong mobilisation of the profession on these issues.

Asset management companies analyse more accurately the environmental impact of companies and encourage them to be more transparent about their greenhouse gas emissions. Individually, some asset management companies have put in place tools to measure the carbon footprint of their portfolios and have developed transition-oriented thematic funds.

Asset management companies continue to commit to the fight against climate change by undertaking studies about the withdrawal from coal. The ten largest players in terms of assets under management have developed policies that aim to reduce their investments in activities linked to the extraction and use of thermal coal. The others are developing such policies gradually.

### The French private-equity industry

represented by the association France Invest, has conducted since 2015 a series of initiatives to support its members in implementing the Article 173 of the French energy transition law with the publication of an application guide and recommendations to facilitate dialogue between investors and asset managers on the ESG performance of funds and their holdings.

France Invest supported the Initiative Climate 2020 (IC20) launched by some of its members at COP21 to create an approach specific to the private equity sector. Today, the IC20 gathers 22 management companies that are France Invest members, and has received support from the Principles for Responsible Investments (UN-PRI).

### STEP-UP OF R&D, INNOVATION & ADVANCED TECHNOLOGIES DEVELOPMENT

Research and innovation have been intensified thanks to the work of the Louis Bachelier Institute and contributions of Finance for Tomorrow, such as the publication of a mapping of the French actors involved in green and sustainable finance research, of an overview of French actors in Biodiversity and Natural Capital, and the launch of the Challenge "Fintech for tomorrow" with Ademe in 2018, to identify and support innovative projects and solutions for the energy transition, replicated in 2019.

Educational materials have also been distributed to students and the general public.

### COLLABORATIONS BETWEEN BUSINESSES, PUBLIC AUTHORITIES, AND REGULATORS HAVE BEEN DEVELOPED TO BUILD AN ENABLING FRAMEWORK FOR THE FIGHT AGAINST CLIMATE CHANGE

The French insurance federation (FFA) and the French Asset Management Association (AFG) have partnered with MEDEF to implement a dialogue between issuers and investors. This initiative resulted in the publication in October 2018 of an operational climate reporting framework for constructive dialogue between investors and companies, based on the recommendations of the TCFD.

French bankers and insurers have helped the ACPR (French financial supervision body) to take stock of the progress made by French actors taking climate risk into account.

The AFG is contributing to the promotion of the SRI label created by the French Ministry for the Economy and Finance. The development of labelled funds is expected to increase with the measures of the French PACTE law: in 2022, each multi-fund life insurance policy will be required to offer an SRI fund, a GreenFin fund, and a solidarity fund.

Finally, France is making resilience to climate risk a major issue, as demonstrated by the announcement by the President of the French Republic of a reform of the current natural disaster compensation system during his visit to Saint-Martin in September 2018. In this context, insurers have made concrete proposals and are working jointly with public authorities.

### AT AN INTERNATIONAL LEVEL, THE AUTHORITIES AND ACTORS OF THE FINANCIAL CENTER HAVE PLAYED A KEY ROLE TO UNIFY EFFORTS

In December 2017, the Banque de France launched a network of central banks and banking supervisors – **the Network for Greening the Financial System** (NGFS) and ensures its secretariat. The NGFS has seen significant growth, increasing from 8 to more than 40 members in less than 18 months across 5 continents. In April 2019 it published its first full report with 6 recommendations for policy makers, central banks, and banking supervisors. Technical projects are under way to put these recommendations into operation, to contribute on a practical level to more effective measurement of climate risk within the financial system, and to drive the orderly financing of the energy transition.

Finance for Tomorrow had a significant role in the creation of **the network of Financial Centers for Sustainability** (FC4S) that Paris co-chairs with Shanghai, while the UN Environment ensures its secretariat. Today, FC4S gathers 25 financial centres: the majority is from OECD countries and there are also some important centres from developing countries, including Casablanca, Lagos, Cairo, etc.

**As businesses, the financial players of the Paris Financial Center have developed internal policies** intended to reduce the environmental footprint linked to their own operations. Aiming at the objective of carbon neutrality, they adopted a set of responsible measures to reduce consumables, and to improve the energy efficiency of their buildings and their employees' travel.

## 2 NEW COMMITMENTS BY THE ACTORS OF THE FINANCIAL CENTER ON COAL EXIT STRATEGIES

In this context of strong mobilisation of all financial players, a consensus is emerging to consider an exit from thermal coal as the primary emergency of the energy transition.

**As professional federations, we make the commitment to encourage our members to establish coal strategies, when relevant to their activity, setting out the measures taken or planned to put an end to the financing of thermal coal, and a global divestment calendar.**

These strategies are intended to be implemented by all institutions, which will publicly report on them as much as possible as part of their extra-financial reporting for the 2020 financial year.

They will be able to rely on the sector-specific policies already put in place by the various players (see above).

**We undertake to encourage our members to make investment in green and responsible products easily accessible to savers, through retail products.** The Article 72 of the PACTE law plans for the provision of unit-linked life insurance contracts, meeting responsible investment criteria or financing the energy and ecological transition from 2020. To this end, an awareness campaign will be launched among the sales force distribution networks.

**We commit to intensify our efforts to reduce the direct environmental footprint** associated with the day-to-day operations of our companies and teams.

**We also commit to foster exchanges of best practices** within our institutions. We will report collectively on the commitments and strategies defined by our members on these issues.

## 3 MONITORING OF COMMITMENTS

**We announce the creation of an Observatory of sustainable finance achievements and actions by the actors of the Paris Financial Center.** This observatory will be jointly governed by the main professional federations (AFG, FBF, FFA, France Invest) and Finance For Tomorrow, a branch of Paris EUROPLACE, under an ad hoc agreement. A scientific committee will be created.

This Observatory will be the preferred tool to demonstrate to stakeholders the gradual "greening" of the Paris Financial

Center with appropriate indicators. It will contribute to the influence and reach of the Paris Financial Center by providing a basis for dialogue with other European and international financial centers.

We also welcome the establishment of a mechanism for monitoring climate commitments made by the actors of the financial center to be implemented by the French prudential supervisory and resolution authority and the French financial markets authority.

## 4 CONTINUATION OF METHODOLOGICAL WORK

**The methodologies developed to assess portfolio's exposure to climate risk must be further strengthened.** We commit to continue this work based on dialogue with our supervisory authorities to improve the assessment of climate risks in our financing and investments and of the alignment of investment portfolios with a 2°C scenario.

The commissions set up with our supervisory authorities will also contribute to this objective. They will promote constructive dialogue between companies, investors, and civil society stakeholders, particularly on methods for measuring and reporting commitments to ensure their comparability and monitoring over time.

This work will be based on national and international references such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the work of the central Banks and Supervisors network (NGFS), and the European Commission's guidelines on non-financial reporting, as well as the supplement on climate-related information.

**The Paris Financial Center will promote the dissemination and open-source standardisation of these methodologies, which will be a factor of influence and outreach.**

# LIST OF SIGNATORIES



**ERIC PINON**  
CHAIRMAN, AFG



**JEAN-MARC VILON**  
CHAIRMAN, ASF



**LAURENT MIGNON**  
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CHAIRMAN, FINANCE FOR TOMORROW



**AUGUSTIN DE ROMANET**  
CHAIRMAN, PARIS EUROPLACE

# Timeline of the Paris Financial Center actions and initiatives since 2015

## 2015

- MAY** First edition of the **Climate Finance Day** at UNESCO in Paris.
- NOV.** Financial education program "Keys for Banking" by FBF (French Banking Federation).
- AFG's (French Asset Management Association) inventory of "climate solutions" offered by asset management companies to their clients, institutional investors and individual savers.
- Launch of the Initiative Climate 2020 (IC20)** by the ESG Commission of France Invest, committing the signatories to measure the greenhouse gas emissions of the companies in which they are shareholders, with the objective of reducing them.

## 2017

- JUN.** **Creation of Finance for Tomorrow** within Paris EUROPLACE, by the Paris financial centre actors committed to green and sustainable finance.
- OCT.** Support from France Invest for the IC20 initiative launched by some of its members at COP21 to create a specific approach in the private equity sector.
- NOV.** Insurers' roadmap to boost the integration of ESG climate criteria into investment strategies.
- Publication of 8 mini-guides to raise public awareness of the products and services available for the energy transition by FBF.
- DEC.** Publication by Finance for Tomorrow of "50 climacts" of its members.
- Insurers' commitments** to include in their life insurance offer at least one unit-linked support with an SRI, solidarity or climate label.
- FBF (French Banking Federation) published a reference document "Banks & Climate" to promote good practices.

## 2019

- APR.** Guide "Saving responsibly with my life insurance is possible!" for savers public by FFA (French Insurance Association)
- JUL.** 2<sup>nd</sup> edition of Finance for Tomorrow's "Challenge Fintech for Tomorrow" with ADEME and Climate-KIC, with a 2<sup>nd</sup> international prize to complete the French prize.

## 2016

- MAY** "Portfolio Carbon Footprint Methodology - Transparency principles for asset management companies" by AFG.
- SEPT.** Proposal by FBF (French Banking Federation) for a "Green Supporting Factor", a prudential treatment providing support for financing and investment in favour of the energy transition.
- Guide for the application of the French Energy Transition for Green Growth Law by France Invest.
- OCT.** Professional Guide entitled "Ecological and Energy Transition Law - Article 173 Application to Asset Management companies" by AFG.
- NOV.** Zaouati report "The Paris Green and Sustainable Finance Initiative" by Paris EUROPLACE at the 2nd Climate Finance Day during COP22 in Marrakech.

## 2018

- JAN.** A comparative summary of the HLEG report and what already existed at the French level (Ducret-Lemmet report) by Finance for Tomorrow.
- FEB.** Professional Guide: "Application of article 173 to Asset Management companies - Good practices and recommendations" by AFG.
- JUN.** ESG Guide by the ESG Commission of France Invest offering an operational roadmap, from the implementation of an ESG strategy by asset management companies.
- SEPT.** **"Challenge Fintech for Tomorrow"** by Finance for Tomorrow and Ademe (French Environment & Energy Management Agency) to support innovative solutions for financing the ecological transition.
- OCT.** Joint initiative by MEDEF (French Business Confederation), FFA (The French Insurance Federation), and AFG (The French Asset Management Association) in order to define a common reporting framework on corporate climate strategy and related indicators.
- Good Practice Guide on ESG Engagement and Exclusion Policies by FFA.
- Publication by AFG (French Asset Management Association), in partnership with the FIR (French Sustainable Investment Forum), of statistics on Responsible Investment in French asset management sector.
- NOV.** First edition of the "Global Observatory of Non-State Climate Action" by Finance for Tomorrow and Climate Chance.
- Report "Fiduciary Duty in the XXI<sup>st</sup> Century: France roadmap" by the Principles for Responsible Investment (UN-PRI), the United Nations Environment Programme Finance Initiative (UNEP FI) in partnership with Finance for Tomorrow.
- Guide for assessing climate risk in investment portfolios by the French Insurance Federation (FFA).
- 2<sup>nd</sup> edition of the FFA ESG-climate barometer** measuring the process of integrating ESG and climate criteria into insurers' investment strategies.
- Publication of an overview of French actors in Biodiversity and Natural Capital and a mapping of the actors involved in sustainable finance research by Finance for Tomorrow
- DEC.** Publication by the ESG Commission of France Invest of a guide to the application of the IC20 methodology, to enable private equity companies to analyse climate risk and measure the carbon footprint of their portfolio companies.

# Timeline of French, European and international initiatives for green and sustainable finance

## 2015

- MAY** First edition of the **Climate Finance Day** at UNESCO in Paris.
- ▶ **"Declaration on climate change by Paris Financial Center actors"** by FFA (French Insurance Federation), AFG (French asset management association), France Invest (French association for private equity actors), AF2I (French Association of Institutional Investors), FBF (French Banking Federation), FIR (French Sustainable Investment Forum), ORSE (Observatory on Corporate Social Responsibility), Paris EUROPLACE and SFAF (French Society of Financial Analysts).
- AUG.** Ecological and Energy Transition for Green Growth Act with **Article 173** which requires transparency on the climate strategy of large companies and financial actors.
- SEPT.** Adoption by the UN of the **Sustainable Development Goals (SDGs)**.
- DEC.** At COP21, signature of the **Paris Climate Agreement**. Article 2 calls for "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".
- Launch of a **Task-Force on Climate Financial Disclosure** (TCFD) by the G20 Financial Stability Board.

## 2017

- JAN.** **France's first sovereign green bond issuance** of €7 billion.
- JUN.** **Creation of Finance for Tomorrow** within Paris EUROPLACE, by Paris financial actors players committed to green and sustainable finance.
- SEPT.** Launch of the **FC4S-Financial Centers for Sustainability** network, co-chaired by Finance for Tomorrow and the Shanghai Green Finance Committee, the secretariat is provided by UN Environment.
- DEC.** First edition of the **One Planet Summit** in Paris to mobilize financing for the ecological transition and **3<sup>rd</sup> edition of the Climate Finance Day** organised jointly by Finance for Tomorrow, Paris EUROPLACE and the Ministry of Economy and Finance.
- ▶ Launch of the **Climate Action 100+** coalition: an international investors initiative to mobilize the 100 most polluting companies in the world.
  - ▶ Launch of the **The Central Banks and Supervisors Network for Greening the Financial System (NGFS)**.
  - ▶ **Report on French Strategy for Green Finance** by Sylvie Lemmet and Pierre Ducret.

## 2016

- Launch of **public SRI and TEEC labels (become the GreenFin label in June 2019)** in France to promote and redirect financial products that incorporate sustainability criteria: "Socially Responsible Investment" & "Energy Transition for Climate".
- JUN.** **Second Declaration on climate change by Paris Financial Center actors to go further in the fight against climate change** by the FFA (French Insurance Federation), AFG (French asset management association), France Invest (French association for private equity actors), AF2I (French Association of Institutional Investors), FBF (French Banking Federation), FIR (French Sustainable Investment Forum), ORSE (Observatory on Corporate Social Responsibility), Paris EUROPLACE and SFAF (French Society of Financial Analysts).
- NOV.** Publication of the Zaouati report **"The Paris Green and Sustainable Finance Initiative"** by Paris EUROPLACE at the 2<sup>nd</sup> Climate Finance Day during COP22 in Marrakech.
- DEC.** Launch by the European Commission of the "High Level Expert Group on Sustainable Finance (**HLEG**)".

## 2018

- MAR.** **Publication of the European Action Plan for financing sustainable growth** in 10 strategic priorities to make sustainable finance the framework of European capital markets.
- ▶ Launch of the Technical Expert Group (TEG) to implement it.
- NOV.** 4<sup>th</sup> edition of Climate Finance Day
- DEC.** **Canfin-Zaouati report** "For the creation of France Transition" to mobilize 10 billion euros of private investment in ecological transition.

## 2019

- MAY** Announcement of the creation of **France Transition Ecologique** by the Prime Minister after the first Ecological Defense Council, based on the recommendation of the Canfin-Zaouati Report.
- JUN.** The TEEC label becomes the Greenfin label.
- JUL.** **"A new step towards green and sustainable finance"** by ASF (French Association of Financial Companies), AFG (French Asset Management Association), FBF (French Banking Federation), the FFA (French Insurance Federation), France Invest (French association of private equity actors), Finance for Tomorrow and Paris EUROPLACE and announcement of the creation of an observatory to monitor actions and achievements.
- NOV.** 5<sup>th</sup> edition of the Climate Finance Day