

## Carbon risk and green financing, two strategic innovation targets for the financial sector

Paris, February 11. Novethic is simultaneously publishing two studies on the financing of a low-carbon economy. One examines the communication of the 32 largest banks and insurance companies in Europe on their green financing, while the other surveys the climate engagements of more than 500 investors across the globe.

Both studies show that more and more financial players recognise that their environmental responsibility extends to the business activities they finance. This realisation is leading them to take steps to reduce their environmental risks and to increase their green financing.

Investors are beginning to think that fossil fuels carry a carbon risk, especially with the increasingly forceful campaigns of NGOs encouraging them to exclude coal and even oil from their portfolios.

### Green financing: the contribution of European banks and insurance companies

The public communication of the 32 largest European banks and insurance companies was analysed in detail. Ninety per cent of these institutions acknowledge they have a responsibility to finance a greener economy. The study reveals that they are publishing more information on green financing, but that this information is far from well structured or systematic. Environmental risks are chiefly managed through sector-based policies targeting sectors that present the greatest threat, such as coal and shale gas. These policies, which may be applied to all business activities, involve the definition of minimum standards. Banks adopting these standards then refuse to make investments in any sector that fails to meet them.

The study’s findings were used to establish two rankings of the 32 banks and insurance companies with four levels of performance. The first indicates there are 14 companies that have begun to publish information on their green financing, even if its extent is still difficult to measure, and 18 companies that provide very little information on the subject.

The second ranking, on environmental risk management, shows that French banks are the best at explaining how they manage these risks, since three of the four institutions with the highest scores – Crédit Agricole, Société Générale and BNP Paribas – are French.

Benchmark on  
“Contribution to a green economy”

“Leaders”	
	ING Group
	Rabobank
	RBS
	Intesa Sanpaolo

Source Novethic 2015

Benchmark on  
“Environmental risk management”

“Leaders”	
	Crédit Agricole
	Société Générale
	ING Group
	BNP Paribas

Source Novethic 2015

[Download the report](#)

## Investors mobilise to fight climate change

Some investors have signed climate declarations recognising the financial repercussions of climate change.

### NUMBER OF INVESTORS SIGNING CLIMATE DECLARATIONS

	2009	2010	2011	2014
Number of institutions	180	259	285	364
Assets held or managed (\$ billion)	13 000	15 000	> 20 000	> 24 000

SOURCE NOVETHIC 2016

As a first step, these investors have begun to measure their carbon footprint. They then try to shrink it by decreasing the emissions financed by their investments. This involves shareholder engagement at oil companies for one third of the 550 investors surveyed by Novethic and/or the exclusion of companies with very high greenhouse gas emission levels for another third. A few are using stock market indexes that contain no fossil-fuel companies.

Committed investors are coming together in coalitions and being urged to take action by NGOs through campaigns condemning their contribution to fossil-fuel activities. The participants in this coordinated movement are diverse, with ten or so leaders, including two French entities, the pension fund Fonds de Réserve pour les Retraites (FRR) and the investment company Mirova. These organisations have made multiple engagements and are taking an array of actions ranging from carbon footprint measurement to green bond investment and portfolio decarbonisation.

[Download the report](#)

#### About Novethic



**Novethic is a leading research centre on responsible investment.** Founded in 2001, it produces thematic studies and awards an SRI Label. Novethic is a part of Caisse des Dépôts. [www.novethic.com](http://www.novethic.com)