

2016

A NEW COLLECTIVE
COMMITMENT OF THE PARIS
FINANCIAL MARKETPLACE

TO STEP UP OUR ACTION
TO TACKLE CLIMATE CHANGE



ASSOCIATION FRANÇAISE
DES INVESTISSEURS
POUR LA CROISSANCE



INTRODUCTION

A different context

COP21 saw unprecedented mobilization among economic and financial stakeholders to tackle global warming. Since May 2015 and the **Climate Finance Day** organised at UNESCO, French financial institutions have made a series of commitments, while the associations and organisations representing stakeholders in the Paris financial marketplace issued a joint declaration on climate change:

“The financing granted, insurance services provided and investments made today will have a major role to play in the transition to a less carbon-intensive economy. It is vital to improve the capacity to assess the implications of climate change in these three fields and to strive to minimise their negative impact and optimise their positive effect on greenhouse gas emissions”

A new regulatory framework

France was the first country in the world to establish ambitious regulations to boost funding for the ecological and energy transition in August 2015. Article 173 of the Energy Transition for Green Growth act requires annual reports (from 2016 onwards) of management companies and institutional investors to include information on how environmental, social and governance issues are incorporated in asset management and to state how this management contributes to the fight against climate change. Discussions on carbon footprint and the introduction of carbon pricing contribute to this. This law also

Another step forward

These initiatives have been developed to **help raise awareness among the public about climate risks** and to give them the chance to select savings products – including life assurance, mutual funds and employee saving schemes – that take environmental issues into account.

Based on the strength of its credibility and its commitments, France was able to mobilise the international community and achieve the signature of an ambitious agreement in December 2015. Now the signatory countries and economic and financial stakeholders have to implement that agreement.

Over the last 15 years, the Paris financial marketplace has developed recognised know-how and expertise that testifies to its vibrancy and its capacity for innovation in the field of green and sustainable finance. Its array of assets, the variety of approaches and the wealth of solutions put forward have enabled a number of French companies to establish themselves as leaders in key areas: development support for renewable energies, technological innovation and energy efficiency, significant restrictions in the support available for the coal sector (decarbonisation of portfolios and funding), carbon risk measurement, green investments and green bonds, responsible investment (IR) and corporate social responsibility (CSR), ESG research, and shareholder commitment.

commits the French government to putting forward a method for establishing climate scenarios on which to test the resilience of credit establishments.

In addition to this law, France has also introduced two labels: the TEEC label (energy and ecological transition for climate) and the SRI label (socially responsible investment). The TEEC label qualifies assets held via investment funds with regard to a reference framework that contains a number of selective criteria. The SRI label promotes funds invested in companies that take on-board ESG (environment, social and governance) criteria.

Today, the challenge is to make sure savers are properly informed about how climate risks are addressed while providing opportunities linked to the funding of the energy transition.

OUR COMMITMENTS

In the wake of the Declaration made by stakeholders in the Paris financial marketplace in May 2015 and the COP21 commitments, we – the professional associations and organisations representing stakeholders in the Paris marketplace – now wish to take **another step forward in our mobilisation against climate change.**

With reference to Article 173 of the Energy Transition for Green Growth act and the TEEC and SRI labels, and against a background of international mobilisation, we are urging financial stakeholders of the Paris financial marketplace (institutional investors, insurance companies, banks and asset management firms) to continue and indeed step up their mobilisation. We undertake to encourage our members to:

- ▶ **Support the implementation of the Paris Agreement at COP22 in Marrakesh** and accelerate their contribution to green funding for infrastructure internationally and to green bonds issuances, in countries in the Global North and the Global South, while respecting savers' interests. In this respect, they play a prominent role in funding the economy, especially since it is their job to transform savings into long-term investments, a key factor in the transition to a low-carbon economy.
- ▶ **Promote the low-carbon strategies implemented by stakeholders mobilised by Article 173** (credit establishments, asset managers and institutional investors) and provide clear information on their positive contributions to climate change, especially the way in which climate risk is addressed in their investment and financing decisions.
- ▶ **Establish a constructive dialogue with companies** in which they invest or that they fund, to encourage the reduction of their carbon footprint and to improve the quality of information provided on their greenhouse gas emissions.

OUR COMMITMENTS

- ▶ **Work together** – with support from professional associations – **to oversee the roll-out of the carbon risk measurement methodologies** applied by institutional investors and credit establishments. By capitalising on the diversity and wealth of these approaches, the long-term aim is to facilitate the emergence of better practices and climate risk measurement systems (barometers, professional application guides, etc.) with a view to continuously improving and nourishing the work of international think tanks.
- ▶ **Encourage institutions to share experiences** within the professional associations to help all financial stakeholders take part – depending on the nature of their activities, their size and their resources – in this joint commitment. A period of adjustment to these new requirements will help consolidate and disseminate best practices.
- ▶ **Step up exchanges with public authorities and regulators** to build a framework that is conducive to the fight against climate change. To enable financial stakeholders to fulfil these commitments, we expect the public authorities and/or regulators to create an environment that encourages the flow of capital towards a low-carbon economy with limited climate risk, and to introduce incentives, especially when it comes to carbon pricing and preferential prudential treatment for investments and green financing.



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