FROM THE ONE PLANET SUMMIT TO THE EUROPEAN COMMISSION'S ACTION PLAN
Main announcements in favour of sustainable finance

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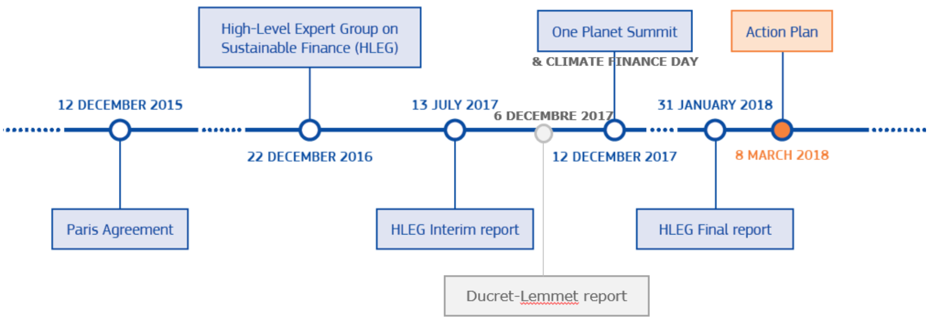
The news from December 2017 to March 2018 was particularly rich in announcements in sustainable finance, concentrated around several publications and flagship events:

- **the release of the French Ducret-Lemmet report on 6 December 2017,** proposing a French strategy for green finance;
- **the One Planet Summit on 12 December 2017**, a "solutions" summit (a French Presidency initiative), held two years on from the Paris Agreement, bringing together heads of state and stakeholders;
- **Climate Finance Day on 11 December 2017,** an event held annually since 2015 that mobilizes financial players at a date close to the COP and attached this year to the One Planet Summit;
- **the High-Level Expert Group (HLEG) report on sustainable finance was published on 31 January 2018,** defining the outlines of a European strategy on sustainable finance. This enabled the European Commission to propose an **Action Plan** for sustainable growth to the EU Parliament and to Member States, announced at the beginning of March 2018.

The resulting political momentum in favour of sustainable finance is exceptional and far exceeded the initial expectations of stakeholders at the launch of the HLEG in January 2016. This document summarises the main announcements around the One Planet Summit, with a focus on the French government (i) and investors (ii), as well as the announcements made in the European Commission's action plan.

It is essential to maintain a high level of ambition in order to ensure the implementation of these announcements and also to encourage the Member States and various financial centres to take up the subject. This will enable a continued in-depth transformation of the financial system towards a more sustainable model, at the service of the energy and ecological transition and the needs of citizens.

News rich in announcements for sustainable finance



Source: European Commission

1. ONE PLANET SUMMIT ANNOUNCEMENTS

1.1 Announcements by the French public authorities

Bruno Lemaire, Minister of the Economy and Finance, made various announcements during his speech atthe Climate Finance Day:

- the ambition to build a financial sector for the common good: "to reconcile people with finance (...): finance will be green or will not be".

- the desire to make Paris the world leader in green finance, with, notably, the establishment of the "Climate Finance Day" to be held annually in Paris;

- that the conclusions of the TCFD[1] should be fully applied in France, but also at international and European level;

- aim of offering every French citizen the opportunity to invest their savings in a product that finances the energy transition and the adaptation to climate change:

- as of next year, a unit-linked scheme labelled "climate" will be offered to all holders of **life insurance**; in his pronounced speech the Minister also said he was in favour of a European climate label.
- better earmarking of the deposits of the **sustainable development solidarity saving scheme** towards projects effectively contributing to the energy transition[2].

- France joins the Green Bond Principles initiative and sets up the Green French government bonds (OAT) Evaluation Council, chaired by Manuel Pulgar Vidal (WWF), bringing together high-level experts.

- Mobilization of the French government for a tax on European financial transactions within the framework of climate finance, and in the context of a position taken by 4 French ministers (Bruno Le Maire, Nicolas Hulot, Jean-Yves Le Drian and Frédérique Vidal).

- Conclusion of a partnership between the French and Swedish Ministers of the Economy and Finance, Bruno Lemaire and Per Bolund, to promote new climate finance tools.

1.2 Investor announcements

- **Signature of the climate Charter of French public investors,** which commits all public investors attached to the state (balance sheet total of 590 billion euros) to integrate climate impact criteria into their investment policy, to engage in a structured climate dialogue with companies, and to demonstrate greater transparency and accountability.
- **Launch of the 100+ Coalition ("Climate Action 100+"),** which brings together 225 major institutional investors representing more than $26,300 billion in assets under management to coordinate their actions vis-à-vis the 100 largest GHG emitting listed companies, in order to encourage them to implement the TCFD's recommendations and align themselves with the Paris Agreement.

1 Task Force on Climate-related Disclosure (TCFD), Expert Commission established at the initiative of the G20 Financial Stability Board and having published in June 2017 a series of non-binding recommendations to improve corporate and financial sector climate reporting.

2 As a reminder, this announcement comes in response to a recurrent debate on the effective use of sustainable development savings schemes. Defending the scheme, the Minister stated that "even if few savers are aware of it, nearly 10 billion euros in loans have been dedicated to the energy transition over the last four years". But he acknowledged that this is "too little, when the LDDS (French sustainable development savings scheme) has raised in excess of €100 billion."

- **Creation of a coalition of the 6 largest sovereign wealth funds in the world:** the One Planet Sovereign Wealth Fund, and a working group to provide them with an ESG framework to guide their investment decisions.[3]

- **A statement by investors, managers and insurers in favour of the development of extra-financial ratings in Europe**, welcomed by the Minister for the Economy and Finance.

- **Commitment by all members of the FFA (French Insurance Federation) to include a green or responsible scheme in their life insurance offer by the end of 2018.** The FFA specifies that they must have an ESG label (SRI and/or green).

- **The FFA** noted "the willingness of its members to stop investing in companies developing new coal-fired power plants" and **called on them to "go further and define an investment strategy based on assessing the exposure of their portfolios to coal** and defining investment thresholds according to turnover and energy mix criteria."

- **Announcement of a joint FFA-Medef (French employer's association) initiative for more transparency on climate data for both companies and investors,** by establishing a common basis, based on the TCFD recommendations. Aviva and Axa have already committed to follow it, as well as the ACPR (French Prudential Supervisory Authority).

- **Axa's commitment** to multiply its green investments by 4 to reach 12 billion euros by 2020. Axa will no longer finance companies that are more than 30% dependent on coal (former threshold: 50%), will no longer insure assets exposed to coal and will no longer invest in any company that produces a new coal-fired power plant, oil sands and associated pipelines (€3 billion of additional divestments).

Investors' commitments were also strongly relayed by the banks.

Thirty development banks have thus undertaken to align their financing with the objectives of the Paris Agreement (23 national and regional development banks from the IDFC network (China, Germany, Brazil, France, etc.) - and multilateral development banks); **the AFD** (French Development Agency) has also committed to being the "100% Paris Agreement Agency" and has validated the first financing of its €30 million Adapt'action fund over four years to support 15 countries particularly vulnerable to climate change. **The World Bank's** commitments to stop financing oil and gas exploration and extraction projects from 2019, to report greenhouse gas emissions from its investments in key sectors such as energy, and to apply a carbon price for its emitting projects, were particularly noted.

Commercial banks have also been very active, particularly in France. **Société Générale, Crédit Agricole, BNP Paribas and Natixis** have announced their withdrawal, in addition to coal, from oil sands projects throughout the world and the financing of oil exploration or production projects in the Arctic; **HSBC** made several commitments at COP23, including investing 100 billion dollars in sustainable financing and investments by 2025, while **Société Générale** announced 100 billion euros in financing for the energy transition between 2016 and 2020; **Natixis** announced the implementation of an internal "green incentive" mechanism as early as 2018 to reinforce the alignment of its financing with the objectives of the Paris Accord; and **BNP Paribas** announced the launch of the Tropical Landscape Financing Facility and a savings fund for individuals, targeted at SMEs working on the energy transition, as well as the setting up of a platform of "green incentives". More recently and outside the framework of the year-end announcements, La Banque Postale announced the changeover of all the assets managed by its subsidiary LBPAM (220 billion euros) to SRI by 2020, as well as the opening of a one-stop shop for energy renovation.

[3] At the initiative of the French Presidency, it brings together Norway, the United Arab Emirates, Saudi Arabia, Qatar, Kuwait and New Zealand. This group will be joined by other sovereign wealth funds and the initiative will be led by France.

2. EUROPEAN COMMISSION ACTION PLAN: FINANCING SUSTAINABLE GROWTH

Less than two months after the publication of the HLEG report, the European Commission demonstrated its genuine desire to make progress by publishing an action plan incorporating a very large number of its key recommendations. Those relating to investors, via the question of their responsibility in ESG matters, the development of tools dedicated to retail investors such as their consultation on their investment preferences in terms of sustainability or an eco-label for green investment products, have been particularly well relayed in the Commission's proposals. Certain measures could be further strengthened to improve the information given to European citizens and savers at two levels: the impact of the funds offered to them in terms of sustainability, and the implementation of minimum standards for funds with SRI designations (on the model of the French SRI label).

Less than two months after the publication of the HLEG report, from which it was directly inspired, the European Commission published an action plan aimed at achieving three objectives: (1) redirecting capital flows towards a more sustainable economy, (2) integrating sustainability into risk management and (3) promoting transparency and the long-term; these 3 axes are broken down into 10 actions, summarized below.

2.1 Reorienting capital flows towards a more sustainable economy

1. **Establish a taxonomy/a unified classification system of sustainable assets**
   This taxonomy will provide a robust European classification system for climate, environmental and social sustainable activities to ensure market consistency and clarity. This will help channel capital flows into activities that contribute to sustainable development.
   - A legislative proposal will be tabled in May (Q2 2018) to ensure the progressive development of the EU taxonomy;
   - It will be accompanied by the setting up of a group of technical experts in charge of publishing a report proposing an initial taxonomy; the group of technical experts will first focus on climate mitigation activities in Q1 2019, then adaptation and other activities in the field of the environment in Q2 2019.

2. **Creation of standards and labels for sustainable financial products**
   The objective is to guide investors and report financial products in line with the transition to a sustainable economy:
   - the Commission will ask the (same) technical expert group to prepare a report on a **European standard for green bonds** and will subsequently amend its information requirements for the issuance of green bonds (prospectus regulation) by Q2 2019;
   - the Commission will explore the use of the European eco-label framework for green financial products once the European taxonomy is adopted - this could result in a legislative proposal in Q3 2019.

3. **Encourage investment in sustainable projects, including infrastructure**
   The Commission will take further steps to improve the efficiency and impact of sustainable (public) investment support and advisory instruments in the EU and its partner countries.

4. **Integrate sustainability into financial advice**
   - The Commission will amend the delegated acts MiFID II and DDA (Q2 2018) so that investors' sustainability preferences are taken into account.
   - The Commission will invite the European Securities and Markets Authority (ESMA) to include provisions on investor sustainability preferences in its guidance, to be updated by Q4 2018.

5. **Develop sustainability reference indexes (benchmarks)**
   By the second quarter of 2018, the Commission intends to:
   - (i) adopt delegated acts, in the framework of the benchmarks regulation, on the transparency of the methodologies and characteristics of benchmarks, to enable users to better assess their sustainability characteristics;
   - (ii) present an initiative to harmonize low-carbon benchmarks, based on a European benchmark methodology for calculating carbon footprints. The Commission's technical expert group will publish a report on the low carbon benchmark methodology by Q2 2019.

2.2 Systematically integrate sustainability into risk management

6. **Better integrate sustainability into credit ratings and market research**
   The Commission will examine how sustainability factors can be integrated into credit rating assessments and analyse how sustainability ratings and the research market could be improved:
   - by engaging in a dialogue with stakeholders with a Commission report in Q3 2019;
   - by inviting the ESMA to assess current practices and including ESG information in its guidance to ratings agencies by Q3 2019.

7. **Clarify the sustainability obligations of institutional investors and asset managers**
   As part of the May package (Q2 2018), the Commission will propose to clarify the obligations of asset managers, pension funds and insurance companies to ensure that they take environmental and social factors and governance risks into account in their investment decision-making process.

8. **Integrate sustainability into prudential requirements for banks and insurance companies**
   Banks and insurance companies are an important source of external financing for the European economy. Faced with an investment deficit that hinders the transition to a more sustainable economy:
   - the Commission will study the feasibility of integrating climate and environmental risks into institutions' risk management policies, and of a potential calibration of capital requirements for banks;
   - the Commission will study the feasibility of a "green supporting factor" where justified from the point of view of risk (financial stability) and consistent with the taxonomy;
   - in Q3 2018, it will invite the European Insurance and Occupational Pensions Committee to deliver an opinion on the impact of prudential rules for sustainable investment insurance.

2.3 Promoting transparency and a long-term vision

9. **Strengthen sustainability reporting and accounting rules**
   The Commission will:
   - assess current reporting requirements (EU legislation quality review) to ensure that issuers provide appropriate information to market participants on long-term value creation and sustainability risk management (Q1 2018 public consultation);
   - revise, by Q2 2018, extra-financial reporting guidelines to help companies report on these topics (e.g. TCFD);
   - set up a European laboratory on corporate reporting to promote good practice;
   - asset managers and institutional investors: see recommendation 7, these actors will be required to report on how they integrate sustainability factors and climate risks into their investment strategy;
   - finally, the Commission will ensure that accounting rules (IFRS) do not discourage direct or indirect investments, either sustainable or long-term.

10. **Promote more sustainable corporate governance and mitigate unjustified short termism in capital markets.**
    The Commission will:
    - explore how better corporate governance can improve sustainability (analysis and consultation);
    - collect evidence from European supervisory authorities on short-term capital market pressures, with a view to considering further action if necessary.

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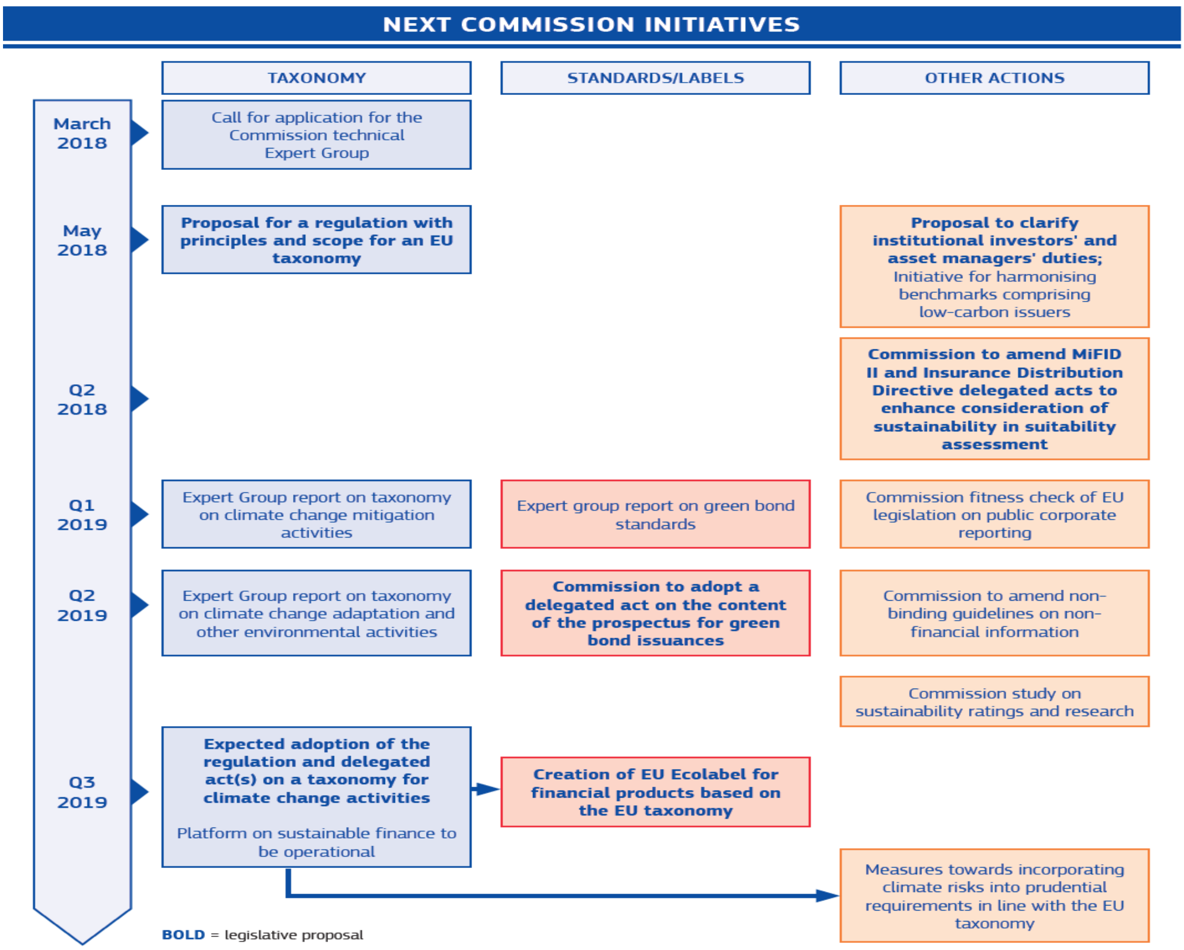
The launch of the European Commission's action plan was supported by a stakeholder conference held on 22 March 2018 in Brussels, marked by high-level support for the work of the HLEG and the action plan: United Nations Special Envoy for Climate Change Michael Bloomberg, the President of the European Commission Jean-Claude Juncker and the Vice-Presidents of the European Commission Dombrovskis and Katainen and the President of the French Republic Emmanuel Macron, all gave their full support to the European approach and its leadership in this field. The next steps in Brussels will be marked by the adoption of a first legislative package (currently scheduled for 23 May) which will then be discussed with the Council and the European Parliament. The coming months will be an opportunity to observe the relay of this dynamic at Member State level: Great Britain, still a member of the EU, has already indicated that it will adopt an action plan for sustainable finance within 6 months, based on the conclusions of the HLEG and the report of its Green Finance Task Force; at the French level, the follow-up given to the Ducret-Lemmet report should be known by the summer.

Provisional timetable of the EU Action Plan (Source: European Commission)



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