Sustainable finance in a turbulent year: European banks fit for Paris?

Launch of the finance fit for Paris (3fP) Banks handbook and assessment report
AGENDA

EUROPEAN PERSPECTIVES

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LAUNCH 3FP-BANKS

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PRACTITIONERS PERSPECTIVE

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Dr. Stefan Marx (Deutsche Bank)
An eventful 2020 for sustainable finance in Germany
Shaping the Future – Green and Sustainable Finance in Germany 2.020

An empirical analysis of the German sustainable finance market in the European context

November 2020

Download now!
Key insights from the market assessment

47% of the institutions surveyed engage in depth with the disclosure of climate risks and opportunities.

In 78% of the institutions surveyed, the holistic integration of sustainable finance has progressed in the last two years.

In 66% of the institutions, scope 1 and 2 emissions are used as a KPI to measure climate impact.

Only 30% of the institutions currently link remuneration to sustainability performance.

Taxonomy-related tools play an important role at 30% of the institutions and are being rolled out in 50%.

ESG and positive/negative screening are so far the most commonly used tools in risk management.
Diverse use of Sustainability KPIs

Which sustainability KPIs does your institution use?

- Number of lawsuits
- Gender pay equality
- Percentage of women/men in management boards
- Portfolio alignment with the Paris Agreement
- Other environmental KPIs in the portfolio
- Portfolio issues
- Social impact of the business
- Other environmental KPIs in the business
- Scope 3 emissions of the business
- Scope 1 & 2 emissions of the business

Proportion of institutions using KPI

Green and Sustainable Finance Cluster Germany
International Dialogue at the European Sustainable Finance Summit
Dynamic developments ahead of us

German Sustainable Finance Strategy to come in Q1 21

The Cluster seeks further institutionalisation

Interim Report
The Significance Of Sustainable Finance To The Great Transformation

Action Roadmap
August 2020
MONICA MALO
FOUNDER FINRESP
Sustainable finance in a turbulent year

Madrid – Responsible and Sustainable Financial Centre
Madrid, December 9th
2019, a turning point in Finresp’s strategic agenda

From the initial agreement among the whole financial industry in Spain...

...to our institutional declaration during Madrid's COP25 in December 2019

- Joint agreement of the whole financial system
- Member of the UN’s FC4S network
- Roadmap (bottom-up) and strategic plan
- Organizational structure
- Participation in COP25 and institutional declaration
Encourage and promote industry-specific actions aimed at contributing to the implementation of the global agreement on climate set at the Paris Conference (COP21) and to the achievement of the United Nations’ Sustainable Development Goals (SDAs) more closely linked to the financial activity.

Implement actions to spread the word on sustainable finance and climate change through conferences, debates, statements and practical initiatives.

Actively collaborate with public authorities in shaping and implementing an effective regulatory framework to achieve the objectives in the fight against climate change.

Promote the adherence of financial players to the principles and standards for sustainability developed by the United Nations, which encourage the integration of environmental, social and governance (ESG) aspects in the decision-making processes; raising awareness among clients and suppliers on sustainability topics; and the public and regular disclosures and transparency initiatives on the advances implementing these principles.

Prepare an annual report on the progress on sustainable finances in Spain
2019, COP25 was also a great moment for Spanish Banks

- The main Spanish banks—which represent more than 95% of the sector—presented a joint commitment to reduce the carbon footprint in their credit portfolios, in a way that can be measured with internationally approved criteria and in line with the goals of the Paris Agreement.

The agreement seeks to bring Spain's banks in line with the Paris Agreement and the United Nations SDGs.
AEB & CECA are joining efforts to support Spanish Banks to move forward

Knowledge alignment and best practices

1. Analysis and comparison of different methodologies and best practices

2. Webinars and sessions with the providers and the banks that are already applying some methodologies

3. Final document after one year of the agreement

PACTA; PCAF; Climate Value at Risk; SSI Climate Assessment; KPMG on real state; S&P; ING-Terra Approach; EBF taxonomía Banca; SBT;
A bottom-up roadmap was the base of our strategic agenda, geared towards climate change and addressing SMEs.

**STRATEGIC GOALS**

- **Awareness**
  - Raising awareness among the economic agents and the Spanish society at large on the **challenges and opportunities** of the 2030 Agenda for sustainable development.

- **Skills**
  - Improvement of the **skills and abilities** of the economic agents through training courses, workshops, analysis and meetings.

- **Best practices**
  - Support for the identification of financial solutions by monitoring trends and best practices in other areas and developments in Spain.

- **Innovation**
  - Promotion of **innovative formulas combining sustainability and financing**, mainly among small and medium-sized companies.

Our ambition is to develop dedicated strategies to overcome identified barriers, enhance public and private cooperation, promote standards and foster innovation in sustainable finance.
Our strategic agenda in 2020

2020

- Launched on January 23
- Extensive partners network and Experts’ Council
- Increased visibility:
  - ‘Textos con Sentido’ newsletter
  - Social media
  - Speaking engagements
- Survey to Spanish SMEs

Official launch in January, supported and attended by the Spanish Climate Change Office in early 2020
Our strategic agenda moving forward

Next Steps

Minimum requirements:
- Decalogue on SF
- Be a reference in SF Data

Awareness/education
- Sustainable Breakfasts
- Specialized and industry-specific events

Knowledge and Learning

Other projects
- Alignment among SMEs
- Supporters’ network

Sustainable breakfasts

Empowerment

General approach
- Focus on SMEs: “Your sustainability, our future”

Insights on sustainable finance and how to push them forward through events and by-line articles by strong third parties
Next Steps: A better understanding of the SMEs’ ecosystem

1. Only **4%** of Spanish SMEs consider that climate change is a **significant threat** to their business.

2. **77%** of Spanish SMEs did not plan to carry out any energy projects in 2020, and out of the 23% that planning to invest:
   - 38% are doing so to **cur costs**; and
   - 34% to **adapt to change**.

3. To launch or accelerate the **energetic transition**:
   - 51% consider tax incentives are required;
   - 34% miss a proper diagnosis; and
   - 26% need advice on best practices.

4. **What actions is your company carrying out to reduce CO2 emissions?**

   ![Graph showing the percentage of SMEs' actions to reduce CO2 emissions]
   - **58%** Waste management
   - **56%** Energy efficiency measures
   - **28%** Energy source switching
   - **17%** Materiais and suppliers...
   - **13%** Reputation
   - **8%** New production processes
   - **8%** Others
   - **3%** Others
LAUNCH FINANCE FIT FOR PARIS (3FP) - BANKS
LAUNCH 3fP-BANKS

THE FINANCE FIT FOR PARIS PLATFORM

- 3fP-Policy: four assessments since 2018
- 3fP-Banks: launching today
- 3fP-Institutionals: 2021?
- 3fP-Insurance: 2021?
- 3fP-Ratings: 2021?
- ...

VISION

3fP

TRACKING

ACTION
## THE EUROPEAN SUSTAINABLE FINANCE POLICY ENVIRONMENT REMAINS A KEY DRIVER FOR CHANGE

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<th>Transparency</th>
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<td>• Sustainable Finance Disclosure Regulation</td>
<td>• ECB Guidelines</td>
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<td>• EU Ecolabel</td>
<td>• Upcoming stress tests</td>
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**LAUNCH 3FP-BANKS**
THE AIM OF 3FP-BANKS: SUPPORT THE ALIGNMENT OF THE BANKING BUSINESS MODEL WITH THE PARIS AGREEMENT
THE 3FP-BANKS AREAS FOR ACTION

- Strategy
- Governance
- Incentivisation
- Products
- Portfolio management
- Risk management
- Data
- Financial advisory
- Commitment and Communication
- Disclosure
IS THE EUROPEAN BANKING MARKET FIT FOR PARIS?
3FP-BANKS SHOWS: INDIVIDUAL BANKS – INDIVIDUAL APPROACHES

Cajamar
An individual perspective at the role of green products

SEB
Frontrunner in operationalising the EU Taxonomy
WE IDENTIFIED THE NEED FOR FURTHER ACTION IN THE 3FP-BANKS REPORTS.

Technical in-depth discussion on Friday at 10 am CET
WE WANT TO HEAR YOUR OPINION!
Lara De Mesa  Head of Responsible Banking Santander Group

Frank Sibert  Head of Sustainable Business Germany BNP Paribas

Dr. Stefan Marx  Director Government & Regulatory Affairs Deutsche Bank

PRACTITIONERS PERSPECTIVE
PANEL DISCUSSION
Thanks a lot for your attention!

Download the reports now!
https://www.fs-unep-centre.org/project/3fp-banks/