

INCREASING CITIZENS AWARENESS ON SUSTAINABLE FINANCE

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April 2021

1. SETTING THE SCENE: SUSTAINABLE FINANCE AND CHANGING CONSUMER BEHAVIOR

In 2015, the adoption of the Paris Agreement and the 2030 Agenda, including the United Nations Sustainable Development Goals (SDGs), marked a paradigm shift in the fight against climate change. For the first time, an international agreement committed all States to strengthen their response to the threat of climate change in the form of "nationally determined contributions" towards a sustainable, low-carbon economy.

The three objectives of the Paris Agreement, as stated in its Article 2, are to hold the increase in the global average temperature well below 2°C above pre-industrial levels, to increase the ability for adaptation, and to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. As such, the Paris Agreement provided legitimacy and constituted a crucial step in the development of sustainable finance, by formalizing its key role in the transformation of global economy and society.

One could consider this a legacy of the previous work of the United Nations Framework Convention on Climate Change (UNFCCC), dedicated to set-up international sustainable finance mechanisms aiming for economic development at the international level. The main examples are the "Kyoto Protocol" in 1997, that enabled the emergence of the first carbon markets, and the "Green Climate Fund" launched in 2010, that aims to mobilize €1000bn of funding for sustainable development, based on public sources able to attract private capital.

The key role of finance in achieving sustainable goals emerged with the understanding of its capacity to influence economic development and social activities, most notably by securing infrastructure projects, but also by empowering entrepreneurial ideas. Sustainable finance involves integrating non-financial criteria, mainly environmental, social and governance factors, in financial activity. As such, financial transactions considered to be sustainable aim not only to deliver economic performance, but also to reduce environmental damage, to generate a positive social impact and to improve corporate governance.¹ By mobilizing additional capital for green and sustainable projects, the financial sector could create a "leverage" effect to enable and accelerate the transformation of the global economy.

In the wake of commitments made by the international community, individuals and households are also increasingly adopting more sustainable behaviors, including with their savings and investments. The mobilisation of retail clients in sustainable finance is crucial for two reasons: firstly, they constitute the demand side of the financial sector

1 Hartmann, Ullrich. «Standards for a sustainable financial economy.» 2021. PWC.
Available at: <<https://www.pwc.de/en/sustainability/sustainable-finance.html>>.

and the sum of their savings can ultimately be a key driver for the transformation of practices; secondly, as citizens, they can influence economic policies and regulations to shake up the *status-quo*.

The European Commission in the 2018 final report of *Financing a Sustainable European Economy*¹ places an emphasis on the role of financial literacy to achieve its sustainable vision. What this vision calls for is that citizens should be fully aware of what corporate activity they are funding and how these companies perform on sustainability issues.

At the same time, there is growing evidence in the literature of the will of retail investors for more sustainability in finance. According to the report *A Large Majority of Retail Clients Want to Invest Sustainably* of the 2nd Investing Initiative (2Dii), 65% to 85% of investors in France and Germany want to invest sustainably. Interestingly, it showcases that 64% of retail investors are willing to sacrifice 5% returns in choosing sustainable products.² The findings assist financial institutions and advisors to design products that meet client sustainability expectations. Another survey conducted by The Department for International Development (DFID) reveals the trends of awareness about sustainable finance of British public.³

This study displayed the following:



A majority – over 7 in 10 people – say they want their investments to avoid harming people and the planet and to achieve good in the world (see Figure 8).

Almost half of people (48%) say they believe that, by choosing where to invest or save, they can play a role in influencing businesses and their impact.

Figure 1. Understanding the UK public's demand for sustainable finance.

Source: DFID, 2019.

² 2nd Investing Initiative, 2020. *A Large Majority of Retail Clients Want to Invest Sustainably: Survey of French and German retail investors' sustainability objectives*. [online] Available at: <<https://2degrees-investing.org/wp-content/uploads/2020/03/A-Large-Majority-of-Retail-Clients-Want-to-Invest-Sustainably.pdf>>.

³ The Department for International Development. 2019. Investing in a Better World: Survey results. Available at:<<https://www.gov.uk/government/publications/investing-in-a-better-world-results-of-uk-survey-on-financing-the-sdgs>>.

This report works on the basis that despite a growing interest of retail investors, there is still a lack of demand for sustainable finance products. This issue was identified by Finance for Tomorrow as one the key three challenges in 2020 for the future development of sustainable finance, in its answer to the UN-convened network Financial Centers for Sustainability (FC4S).⁴

Based on literature research, qualitative interviews with professionals, and a dedicated qualitative survey, this report will underline the current barriers to the evolution of the situations and explore possible development perspectives. It is mainly destined for citizens and students who wish to increase their knowledge about sustainable finance. To do so, it will focus firstly on financial literacy, at the heart of the matter, and secondly, on concrete solutions to enable more sustainable practices in financial activities.

4 Finance for Tomorrow and Financial Center for Sustainability, 2021, Rapport FC4S, Response from Place de Paris to the FC4S questionnaire in 2020, Available at: < https://financefortomorrow.com/app/uploads/2021/04/Finance-for-Tomorrow-Synthese-des-donnees-de-la-Place-de-Paris-Questionnaire-FC4S_2020.pdf >

2. FINANCIAL LITERACY, AT THE HEART OF CITIZENS MOBILIZATIONS FOR SUSTAINABILITY

Recent calls by the public on sustainability issues show consumers' willingness to contribute to the ecological transition. Consumers are progressively adapting their consumption and daily activities, such as embracing the use of bicycles and eating organic food to support the sustainability agenda. However, the demand for sustainable finance products has not generated the same level of interest from consumers. In this first part, we argue that the level of demand for financial products is affected by financial illiteracy among consumers and the lack of understanding of the role of sustainable finance, including by professionals of the financial sector, and short-term expectations.

2.1 FINANCIAL LITERACY AS A REQUISITE FOR OWNERSHIP ON FINANCIAL DECISIONS

The OECD defines financial literacy as "a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve financial well-being".⁵ It encompasses everyday financing tools from savings to insurance, but also the ability to understand economic concepts and public policies. The rate of financial literacy of a population is an indication of the understanding of basic financial concepts and the ability to utilize these financial skills in making decisions. The inadequacy of knowledge and skills affect the financial attitude and behavior of consumers. Undeniably, the ease at which the investor understands and makes prudent financial investments help to accelerate the ecological transition. However, the global rate of financial illiteracy undermines sustainable retail finance.

DATA REVEALING FINANCIAL ILLITERACY AS A GLOBAL ISSUE, SPECIFICALLY FOR WOMEN AND THE YOUNG

In a financial literacy survey conducted by the OECD, the research demonstrated a low degree of financial knowledge of the participants from twenty-six countries.⁶ The survey tested individuals' basic financial awareness and how this reflects their financial behavior. On a scale of 21, participants from the sampled economies scored an average of 12.7, showing an inadequate grasp of basic financial concepts such as savings, interest rates, investments, and inflation. Although participants from China and Hong Kong demonstrated a better understanding of finance by rating 14.8, they fell short of the maximum of 21 that affirms that an individual is financially literate. In addition, the survey highlights that the degree of financial illiteracy is more prevalent among women,

⁵ OECD, 2020. International Survey of Adult Financial Literacy. Available at: <www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracyreport.htm>.

⁶ OECD, *supra*, note 5

youth, and less-educated people. The lower level of financial understanding among the youth is particularly worrying given the future financial decisions they will have to make. Globally, the general low level of financial literacy globally undermines the ecological transition endeavors since it affects consumers' financial behaviour and decisions on sustainability.⁷ Focusing on Europe, Allianz conducted a survey that assessed financial literacy in ten Western European countries in 2016, where France came last behind Portugal, Italy, Austria, Germany and Switzerland.⁸ According to this study, only 9% of respondents were able to identify the right answers to the three questions about financial risk concepts, also showing that Millennials had the lowest level of financial literacy.

Promoting consumer understanding in finance through strategic governmental intervention

This financial illiteracy not only incapacitates consumers to effectively manage their finances to increase savings, stick to a pension plan or make profitable investments, but also leads to oblivion when it comes to understanding the impact personal investments or savings in a bank account may have on the Environmental, Social, and Governance (ESG) factors. Albeit this issue has existed for many decades, our research leads to believe that to date it has not been sufficiently addressed. In the following paragraphs, we will explore possible strategies to increase financial literacy among citizens.

Given that this issue can be of educational and thus of national nature, a government-led national strategy is fundamental in building a framework for an improved financial literacy campaign. By taking a top-down approach, governments can ensure their efforts reach every citizen. One instance where such a national strategy has shown substantial results was in the case of New Zealand, where the government developed a PPP model together with NGOs and consumer banks. At the heart of this strategy was a communication initiative. To reinforce this, a bi-annual multi-stakeholder summit as well as extensive surveys on adults' financial literacy were implemented.

7 Kaiser, T. and Menkhoff, L., 2017. Does Financial Education Impact Financial Literacy and Financial Behavior, Oxford University Press.

8 Allianz, 2017. *When will the penny drop? Money, financial literacy and risk in the digital age*. [online] Available at: <https://gflec.org/wp-content/uploads/2017/01/AGI-IPP_1-17_Financial-Literacy_FINAL.pdf?x27564>.

Box 1. The state of financial literacy in France

From the Bank of France's study on the level of financial literacy in France, they found that "43% of French people feel that they do not have sufficient reliable and neutral information on how to manage their budget effectively, and 77% consider their knowledge of financial matters to be average or poor".⁹ To improve the situation, the Banque de France and the Ministry of National Education partnered to offer to college students the budget and financial education passport known as EDUCFI. It consists of two hours of sensitizing middle school students to managing a budget, the proper use of means of payment as well as basic financial concepts such as the concept of interest rates. This passport is one of the five pillars of the State's financial education strategy responding to a social, economic and democratic challenge. It aims to provide everyone with the economic, budgetary and financial bases in order to make informed financial decisions throughout their life.

2.2 UNDERSTANDING THE LINKS BETWEEN FINANCE AND SUSTAINABILITY: THE NEED TO INCREASE RETAIL DEMAND FOR SUSTAINABLE PRODUCTS

In recent times, people concerned about sustainability are changing their lifestyles to support the ecological transition. However, people are ill-informed on how their financial decisions contribute to or reduce global warming, and more generally sustainability. This negatively affects the levels of demand for sustainable financial products, but also limits active participation of citizens in the regulatory development in the sector.

CONSUMERS ARE LESS AWARE OF HOW THEIR FINANCIAL DECISIONS INFLUENCE SUSTAINABILITY

Most financial irrespective of the level of financial literacy are yet to understand how their savings and investment consumers can save or damage the planet. Unfortunately, even financially literate individuals often lack information about sustainable modes of investing. Financial literacy in general is the backbone of increasing awareness about the ESG impact of the financial industry. Indeed, understanding how financial decisions influence sustainability could affect the likelihood that individuals will consider the ecological impact of their financial decisions, and ultimately their choice of financial products. Indeed, consumers will invest in an ecological-friendly project or better influence companies to be sustainable if they are better informed in this area.

The issue concerns a great deal of citizens, as an OECD survey on the level of financial product awareness indicates that 69.6% of respondents are using more than two financial products.¹⁰ The ecological transition could be accelerated if more campaigns were tailored to establish the link between finance and sustainability.

⁹ Hello Future, 2021. Financial literacy: an essential awareness. Available at: <<https://hellofuture.orange.com/en/financial-literacy-an-essential-awareness/>>.

¹⁰ OECD, *supra*, note 5

THE NEED FOR CITIZENS TO UNDERSTAND AND TAKE PART IN THE GROWING REGULATORY ACTION

According to the International Finance Corporation (IFC), in the last decade, a significant share of countries has introduced national policies, guidelines, principles and roadmaps in an effort to advance sustainable banking practices.¹¹ The UN Principles for Responsible Investment (PRI) monitors regulatory evolution in its program "The Inevitable Policy Response", concerning five key topics: (1) corporate ESG disclosures; (2) stewardship (3) investors' duties to incorporate ESG considerations; (4) national/regional sustainable finance strategies, and (5) taxonomies of sustainable economic activities.¹²

In Europe, the "Sustainable Finance Action Plan" is redefining the framework of the financial sector and supports the "Green Deal" investment project for the economic recovery of the continent. The European Commission in the 2018 final report of *Financing a Sustainable European Economy* places an emphasis on the role of financial literacy to achieve its sustainable vision. What this vision calls for is: citizens should be fully aware of what corporate activity they are funding and how these companies perform on sustainability issues; citizens should understand how to hold their fund management accountable and ensure they are kept informed of how sustainably and responsibly their money is being invested and managed.¹³ The Commission recommends that member states should develop national strategies for financial education, and the incorporation of financial literacy into school curriculums. Educational campaigns on the role of sustainable finance would enable more transparency as citizens would actively participate and feel empowered to choose their financial products or services that best suit their needs. Apart from teaching basic skills on how to manage personal finances, this should also include an overview of the financial and banking sector. To make sustainable finance a more approachable subject, the curriculum should place an emphasis on the long-term impact of the banking sector. By informing young adults on the mechanisms behind their bank accounts, they will be able to better evaluate the impact of their money for instance on the ESG factors and make more informed decisions as they reach adulthood.¹⁴ Alongside these recommendations, the European Union (EU) calls on the OECD to support and measure adult financial literacy on sustainable finance issues as part of their international network on financial education reviews.

As students writing this report, we want to emphasize that in addition to an overarching communication strategy directed at the public, governments should specifically target the youth.

11 International Finance Corporation (IFC), 2021. *Sustainable Banking Network – What's New*. [online] IFC. Available at: <https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_whatsnew>.

12 UNPRI and World Bank Group, n.d. How Policy makers can implement reforms for a sustainable financial system, available at : <<https://www.unpri.org/download?ac=12247>>

13 European Commission, 2018. *Financing a Sustainable European Economy*. [online] Available at: <https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf>.

14 Crossan, D., 2010. How To Improve Financial Literacy: Some Successful Strategies. [online] Pension Research Council. Available at: <<https://pensionresearchcouncil.wharton.upenn.edu/wp-content/uploads/2015/09/0-19-g69681-9-13.pdf>>.

Box 2. NGOs efforts in sustainable finance focus particularly on awareness

Non-Governmental Organizations (NGOs) and Think Thanks play an invaluable role in supporting sustainable finance, through research and advocacy. They empower end-users to invest sustainably and influence financial institutions to align their activities to support sustainable growth.

For instance, the European Federation of Investors and Financial Services Users (Better Finance) provides financial expertise that helps financial users to understand, compare and make sustainable investment decisions. Better Finance also advocates for a review of reporting policies to allow consumers access to data on environmental, social, and governance risks of entities.¹⁵ The 2° Investing Initiative (2Dii) undertakes retail investment research that helps financial players to achieve their sustainable investment objectives. According to 2Dii research,¹⁶ 65% to 85% of investors in France and Germany want to invest sustainably. Interestingly, 64% of retail investors are willing to sacrifice 5% returns in choosing sustainable products. The findings assist financial institutions and advisors to design products that meet client sustainability expectations. Reclaim finance provides an independent assessment of firms' environmental commitment and makes recommendations on how companies can accelerate the ecological transition. For example, it called on Total SE shareholders, investors, and government bodies to align with 1.5°C targets or halt financial assistance to the company.

Another report titled *Banking on Climate Change*¹⁷ discloses how financial institutions have financed fossil fuel companies amounting to \$2.7trillion since the adoption of the Paris Agreement. Worryingly, emission from fossil fuel is 120% above what is required to limit global warming to 1.5°. ¹⁸ In this regard, Reclaim finance urges financial institutions to adopt policies that compel companies to reduce emissions or stop funding their operations. It called on shareholders and investors to influence the adoption of carbon emission policies to save the environment. In summary, NGOs such as 2Dii, Reclaim Finance, Better Finance, ShareAction, etc provide relevant information on how our financial decisions are contributing to or hampering the ecological transition. Their campaigns and initiatives ensure that the public, financial system, and companies align financial decisions to climate goals.

Sources: 2° Investing Initiative, 2020; Reclaim Finance, 2020; UNEP, 2019; ShareAction, 2021.

15 Better Finance, 2019. "Annual Report." [online] Available at <<https://betterfinance.eu/wp-content/uploads/BETTER-FINANCE-Annual-Report-2019.pdf>>.

16 2° Investing Initiative, *supra*, note 2

17 Reclaim Finance, 2020. "Banking on Climate Change 2020 – "Fossil Fuels Report Card" 2020. [online] Available at <<https://reclaimfinance.org/site/wp-content/uploads/2021/02/Pipeline-of-Pollution-Total-responsible-Finance-complicit.pdf>>

18 UN Environmental Program (UNEP), 2019. "The Production Gap Report" [online] Available at: <<http://www.unep.org/resources/report/production-gap-report-2019>>

2.3. ADEQUATE SKILLS IN THE FINANCIAL SECTOR TO ADDRESS SUSTAINABILITY ISSUES

In 2019 a research paper, namely *Understanding consumer demand for sustainable investing*, published by the Cambridge Institute for Sustainability Leadership indicated the major trends of consumer behavior regarding sustainable finance. This report found that “the median saver was willing to sacrifice up to 2.5 per cent past returns to invest in a sustainable fund”.¹⁹ This study showed robust proof that consumers grant more and more importance to sustainable finance. In this context, are financial institutions able to capt and respond to this growing interest?

NUMEROUS BARRIERS TO THE DEVELOPMENT OF SUSTAINABLE PRACTICES FROM THE SUPPLY SIDE

Transitioning into a low-carbon economy creates challenges for financial services firms, that are still not sufficiently prepared to address them, with existing direct risks (i.e. the material impact of environmental issues on assets) and transition risks (i.e. the implicit difficulties in a wholesale shift to a green economy). The high-level messaging and impressive pledges made recently are not translated at the customer level, with discrepancies both in supply and demand of sustainable finance products. While there is broad acknowledgment in the industry that banks need to navigate the transition to a sustainable economy and the substantial opportunities to do so in the financial sector, large-scale assimilation and expansion remains limited.²⁰ As of today, many institutions still allocate limited budgets for sustainable activities and processes, which is inadequate to foster changes.²¹ Implementation of new practices is one of the biggest challenges for banks, as a survey conducted by Deloitte in 2017 shows that only 33% of respondent banks have well integrated sustainable strategy into their overall business strategies.²² The conventional business norms, particularly short-termism and profit-orientation, are huge barriers for bankers and investors towards sustainable transformation. Investors usually evaluate the performance of investment opportunities based on their short-term financial returns.²³ According to a survey conducted by BNP Paribas in 2018, only 19% of investors believed that the returns of Social Responsibility Investments (SRI)

19 Stillwell D, W. S., 2019. Walking the talk: Understanding consumer demand for sustainable investing. University of Cambridge Institute for Sustainability Leadership (CISL).

20 Mirova, 2020. *Finance: Banks and Financial Services*. Sustainable Development Sector Analysis Framework. [online] Mirova. Available at: <<https://www.mirova.com/sites/default/files/2021-01/Finance-Banks-and-Financial-Services.pdf>>.

21 Deloitte, 2017. *Sustainable Banking as a Drive for Growth*. [online] Deloitte. Available at: <<https://www2.deloitte.com/content/dam/Deloitte/ng/Documents/strategy/ng-deloitte-west-africa-sustainability-banking-survey.pdf>>.

22 Deloitte, *ibid*

23 UNPRI, 2017. Corporate and investor strategies for managing market short-termism [online] UNPRI. Available at: <<https://www.unpri.org/sustainable-financial-system/corporate-and-investor-strategies-for-managing-market-short-termism/2715.article>>.

were equivalent to those of traditional investments.²⁴ Therefore, to meet clients' expectations, banks and companies are unfortunately encouraged to focus on short-term financial performance and still neglect the development of sustainable finance. This is amongst the reasons why fighting against short-termism is part of the ten strategic axes of the European Action Plan on Sustainable Finance.²⁵ Another major challenge for retail banks to implement sustainable banking is that there are knowledge gaps among banks' staffs.²⁶ Many professionals working in the financial sector still lack an understanding, and therefore interest, of sustainability issues. On the one hand, this limits banks' investment in sustainable projects, as there is insufficient employment engagement and management support in the transformation acts.²⁷ On the other hand, this hinders the promotion of sustainable finance to retail investors.

IMPROVING THE CLIENT-BANK COMMUNICATION TO BREAK DOWN INFORMATION BARRIERS

Bank counselors and financial advisors are generally considered by investors as the most expert source of financial information. Unfortunately, numerous study highlight that the recurring theme preventing significant progress is insufficient consumer awareness about sustainable retail finance.

BNP Paribas' 2018 survey found that when 64% of retail investors in Europe are willing to invest in sustainable finance, only 5-7% of investors have invested in sustainable products.²⁸ It also found that only 12% of respondent retail investors have been offered an ESG investment product by their financial advisors.²⁹ At the same time, 46% of French investors are willing to invest in SRI but have no knowledge, thus, expecting more information on responsible investment from their financial advisors.³⁰ A report published by Deloitte in 2019 showed that while 67% of French investors had heard of responsible investments, only 7% among them had concrete knowledge about these.³¹ Therefore, to transform the financial system and investors' interests, there is a need for banks to train their staff with adequate knowledge about sustainable finance.

24 BNP Paribas, 2018. New Survey reveals European Individual Investors' growing Interest but limited Investment in SRI. <<https://www.bnpparibas-am.com/en/new-survey-reveals-european-individual-investors-growing-interest-but-limited-investment-in-sri/>>.

25 Finance for Tomorrow, 2020. *From the European Action Plan to the Renewed Sustainable Finance Strategy*. [online] Available at: <https://financefortomorrow.com/app/uploads/2020/05/Finance-for-Tomorrow-European-strategy-on-sustainable-finance_May-2020.pdf>.

26 Deloitte, *supra*, note 21

27 Deloitte, *supra*, note 21

28 BNP Paribas, *supra*, note 24

29 BNP Paribas, *supra*, note 24

30 BNP Paribas, 2018. *supra*, note 24

31 Deloitte, 2019. How do French investors and financial advisers feel about RI in 2019?. [online] Deloitte SAS – CPR AM. Available at: <<https://www.cpr-am.com/institutionals/Common-Content/Responsible-Investment/Barometer/IR-2019/Barometer-2019>>.

Banks should take steps to better communicate the bandwidth of their products, but also their performance. Many sustainable stocks like renewable energy have not only performed well but in some instances even better than traditional investments.³² This outperformance should be named by bank advisors. By favoring sustainable investments when offering clients financial products or services, banks can also ensure that those investors already interested in sustainable investing receive the information they desire.³³ Given millennials' preference for sustainable investing,³⁴ bank advisors should be required by their employer to ask about their interest in ESG investing as they would about their risk adversity or target timeframe. Regulatory stipulations could make this a legal obligation.

Despite growing digitalisation, consumers still mostly rely on advice whilst making financial decisions. Considering the above-mentioned low level of financial literacy of the public, financial advisors hold a key role in providing relevant assistance to clients taking in account their ESG preferences. In order to achieve this level of coherence in the banking sector, it is indispensable to provide them with adequate knowledge and coaching. This would help consumers understand the real influence of their money and better their behavior sustainability wise.

32 Amundi Asset Management, 2018. How ESG Investing Has Impacted the Asset Pricing in the Equity Market. [online]. Available at: <https://research-center.amundi.com/ezjscore/call/ezjscamundibuzz::sfForwardFront::paramsList=service=ProxyGedApi&routeld=_dL_MjcxZGQxOGJkMGEyYmMwZTdINGY1ODNiMjMyMzdiN2I>.

33 BEUC, n.d.. How to make sustainable finance real for consumers? [online] BEUC. Available at: <https://www.beuc.eu/publications/beuc-x-2020-102_how_to_make_sustainable_finance_real_for_consumers.pdf>.

34 MSCI, 2020. Swipe to invest: the story behind millennials and ESG investing. [online] MSCI ESG Research LLC. Available at: <<https://www.msci.com/documents/10199/07e7a7d3-59c3-4d0b-b0b5-029e8fd3974b>>.

Box 3. Basic concepts of sustainable finance definitions

Socially Responsible Investment : Taking into account financial performance with a positive social and environmental impact in financial investment. It can take three forms: the Best-in-class selection process; the exclusion process; shareholder engagement. (ORSE)

Sustainable finance: a generic term designating practices that take into account "extra-financial" criteria, in addition to financial criteria, in the analysis, selection and management of investments (AMF). The criteria mainly refer to the UN Sustainable Development Goals.

ESG criteria : set of standards for a company's operations that socially conscious investors use to screen potential investments.

- Environmental criteria consider how a company performs as a steward of nature.
- Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates.
- Governance deals with a company's leadership, executive pay, audits internal controls, and shareholder rights.

Externality : Situation in which the action of an economic agent affects positively (positive externality) or negatively (negative externality) the well-being of another agent, or even of a set of agents who have done nothing themselves. "(la finance pour tous)

Impact : positive social or environmental outcomes from investment. It is assessed with specific impact objectives defined ex-ante, based on the intentionality of the investor and, where applicable, of the companies in which he invests. Impact themes are as diverse as impact investors. (FIR)

3. MOVING FORWARD: CONCRETE SOLUTIONS TO MAKE SUSTAINABLE FINANCE MAINSTREAM

Over the last few years, there has been a shift in the finance sector towards a greener and more sustainable finance. Asset managers are turning to ESG investing, retail banks are developing new sustainable banking and investing products and services, and capital markets are looking more at green bonds or other ESG-underwriting. The amount of banks making announcements on ESG-related finance in the past couple of years is staggering. New products and new models are being created and tested continuously by retail and commercial banks. Products and services such as green home-improvement loans, carbon neutral banking and sustainable exchange-traded funds (ETFs) are becoming more popular among bank offerings to the younger generations.³⁵ This part aims to explore existing and developing solutions, to make them visible to citizens in order to support their emergence.

3.1 THE KEY ROLE OF RETAIL BANKING IN ADVANCING SUSTAINABLE FINANCE

The banking industry plays a fundamental role in the transition to a low-carbon and sustainable economy. As key agents in the day-to-day economy, banks are suited to directly finance both transition and sustainable projects.³⁶ Similarly, given their intermediary position in the economy, they can support or hinder the sustainable or non-sustainable behaviors of companies and individuals, and can even act as catalysts for structural change in society. Therefore, practices and service offerings of these institutions have extensive effects and can be considered as transformative.³⁷ In this manner, there are many strategies that banks can adopt in order to facilitate the transition to a more sustainable future. Starting with the creation and promotion of sustainable financial products and services, these may include: sustainable savings vehicles such as SRI saving funds, incentives towards sustainable loans, and dedicated loans or credits for low income clients (see Box 3).³⁸ For instance, regarding SRIs, banks can integrate non-financial criteria in decision making, by excluding the coal sector as a customer and/or focusing on clients in the renewable energy sector, to directly affect the activities and values of businesses.³⁹

35 KPMG, 2020. *Purpose or profit? Why not both*. Frontiers in Finance, Issue 62. [online] KPMG.

Available at: <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/05/frontiers-in-finance.pdf>.

36 Mirova, *supra*, note 20.

37 Zimmermann, S., 2019. Same Same but Different: How and Why Banks Approach Sustainability. *Sustainability*, 11(8).

38 Mirova, *supra*, note 20.

39 Zimmermann, *supra*, note 40

Box 4. Sustainable offerings for retail banking

Integrating the sustainability dimension is relevant for all financial offerings in the retail segment, which comprises products and services tailored to individuals, households and SMEs. As such, sustainable retail offerings may include social-oriented or green-oriented investment products, saving products and credits. The list below provides a summary of key products and services in the sustainable retail banking segment:

Cause-related products

Banks collaborate with charitable organizations or specific causes and develop solutions by which activities and transactions result in a contribution to the associated charity.

- **Green cards:** most green credit and debit cards offered by banks provide a donation to an NGO with every purchase, transfer or cash advancement made with these cards. These donations may be at a fixed rate or depend on the carbon footprint of the product or service purchased. Recently, banks are increasingly looking at offering credit cards with an emissions offset program by using profits to fund carbon emissions reduction projects.

Products with preferential terms

Transactions with an associated social or environmental benefit can access products and services with special conditions.

- **Green loans:** loans with reduced interest rates compared to market rates, in order to encourage the choice of low-carbon solutions for commercial or domestic use. This includes *green car loans* to promote the purchase of cars that produce lower carbon dioxide (CO₂) emissions, or *green mortgages* and *green home equity loans* to stimulate retail customers to purchase more energy efficient properties or install renewable energy technologies.

- **Microfinance:** microcredits, with favorable repayment schemes and grace periods, to small business owners and entrepreneurs to start and grow their business, and who otherwise would not have access to standard financial products.

- **Tailored bank accounts:** low-cost current and savings accounts for low income or vulnerable populations to promote access to basic services and financial inclusion, including immigrants, victims of armed conflict and individuals in marginalized rural areas.

Products with a positive impact by design

Products or services designed actively by banks to generate positive social or environmental outcomes.

- **Paperless products:** products for which all processes and statements are paperless, including online banking, digital bills, no paper-based marketing, etc.

- **Green accounts:** payment and savings accounts that guarantee clients their funds are not being invested in carbon intensive sectors, but rather in an environmentally responsible way. This type of products require a high degree of transparency on banks' use of funds and enable retail customers to align their finances with their convictions.

Sources: UNEP Finance Initiative, 2007; Keeble, J. and Seidel, G., 2007.

A GROWING RECOGNITION OF THE NEED FOR COLLABORATION ACROSS THE BANKING INDUSTRY

Despite the difficulties to transform, Mercer found that 83% of banks have set up environmental and social strategies to create value for both the bank and the society.⁴⁰ The main banks seem to realize that concrete change requires collaboration and action across the whole banking industry. In this line, several initiatives and platforms for exchange are emerging in order to allow for more standardization in topics such as taxonomy or measurement, and progress certain key aspects.⁴¹

For instance, a third of the largest world's banks have signed the UN Principles for Responsible Banking. These lay out a framework for action to stimulate the contribution of the banking industry to the achievement of the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. There is also a guidance document with concrete actions that retail banks can take in servicing their clients, which concentrate around three key points: (1) promote sustainable behavior and consumption choices (e.g., finance and encourage sustainable energy use through green loans for set up and use of renewable energy); (2) establish strategies to target under-served retail customer segments (e.g., adjust offerings to better serve the bottom of the pyramid through micro-insurance or low-cost savings products); (3) support the acquisition of financial knowledge and skills of retail clients (e.g., partnering with customer advocacy organizations or launching financial literacy programs).⁴²

3.2. INCREASING INVESTMENTS TRANSPARENCY TO SUPPORT CONFIDENCE

As consumers become more aware of the link between finance and sustainability, they need to be provided with solutions enabling them to make informed decisions. Taxonomies and labels are powerful regulatory tools emerging rapidly in the financial sector. Moreover, embracing the technological transition can provide interesting alternatives for a more transparent and citizen-centric finance, thanks to innovations such as crowdfunding.

TAXONOMIES, THE EMERGENCE OF A REGULATORY TOOL TO HARMONISE DEFINITIONS AND OBJECTIVES

The implementation of a taxonomy is the first strategic axis of the European Action plan on sustainable finance. The Taxonomy of environmentally sustainable economic activities is an asset classification system that will create a common language to foster

40 World Finance. n.d. *Sustainable Banks*. [online] Available at: <<https://www.worldfinance.com/banking-guide-2016/sustainable-banks>>.

41 KPMG, *supra*, note 38

42 Volans, 2020. *Responsible Retail Banking in the 2020s: Trends, Issues and Opportunities*. [online] Business in the Community. Available at: <<https://www.bitc.org.uk/wp-content/uploads/2020/09/BITC-Report-ResponsibleBankingReport-23September2020.pdf>>.

sustainability in decision making. It constitutes a necessary condition, by providing a set of common definitions that will serve as a reference for future regulations and tools concerning sustainable finance and Environmental, Social and Governance (ESG) criteria. This reference will allow for greater transparency of the information on economic activities.

Based on the "Taxonomy Regulation", to be considered sustainable and in line with the European Taxonomy, an economic activity will have to:

- Contribute substantially to at least one of the 6 environmental objectives (below), based on performance thresholds and/or processes for risk management defined for each economic activity;
- Do no significantly harm any of the 6 environmental objectives (DNSH), over the entire life cycle of the activity's products and services;
- Be conducted in compliance with minimum social and governance standards ("minimum social safeguards").

The taxonomy will cover six environmental goals:

- Climate change mitigation
- Adaptation to climate change
- Sustainable use and protection of hydrological and marine resources
- Transition to a circular economy, including waste prevention and recycling
- Pollution and pollution control
- Protection and restoration of biodiversity and ecosystems

LABELS, A TOOL ENSURING MORE TRANSPARENCY FOR RETAIL INVESTORS

Directing financial flows towards sustainable initiatives, encouraging transparency, as well as the orientation of actors towards long-term goals, is key to achieving sustainability in the financial sector. With the development of a strategic vision necessary to the development of sustainable finance, there are growing concerns concerning the risks of greenwashing.

A solution developed in Europe to facilitate mobilizing the assets of the retail sector is to introduce sustainable finance labels. Labeling is a powerful tool, which "can be particularly useful for retail investors who would like to express their investment preferences on sustainable activities and could facilitate retail investors' choice...".⁴³ According to a 2019 Deloitte's study, 61% of French investors claim that better labels would encourage them to invest more in ESG investment since labels signify sources of confidence for them.⁴⁴ The creation of standards and the introduction of labels would greatly aid investment advisors and retail investors to align their investments with their values and environmental concerns. Credible labels would greatly aid the general public in making informed decisions, as they would act as robust and reliable indicators on the sustainability of financial investments.

43 European Commission. 2018. "Action Plan: Financing Sustainable Growth." [online] Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097>.

44 Deloitte, *supra*, note 32

Since 2004, such sustainable labels related to financial services with varied specialization have gradually emerged in several European countries. Although, the number of labeled funds remain extremely low, "less than 1% of assets in European asset management".⁴⁵ Even though the consumer interest for sustainable finance is exponentially growing, the complexity of the topic itself, heterogeneous requirements, and standards as well as geographical limitations, hinder the impact of existing labels.

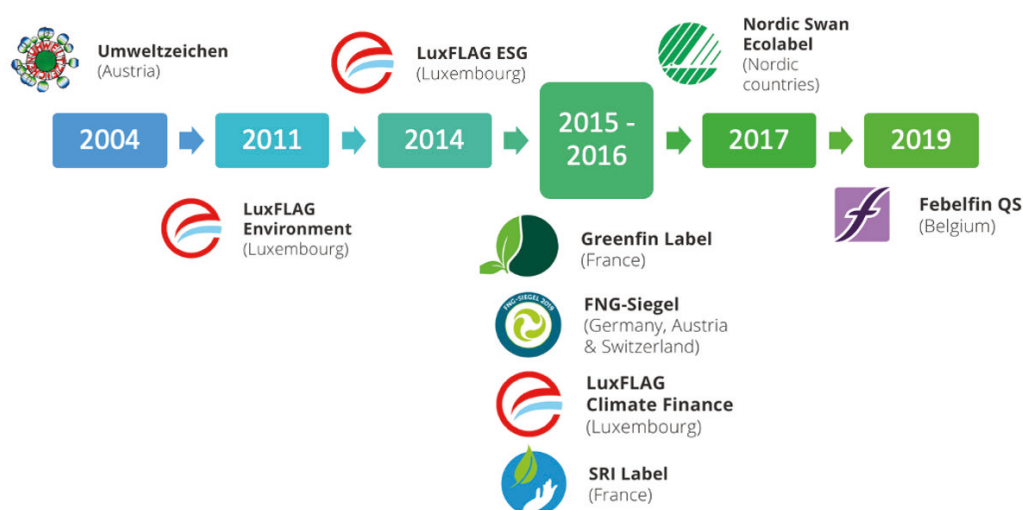


Figure 2. Overview of European Sustainable Finance labels.

Source: Redon, N. and Husson-Traore, A., 2019.

What does the EU Ecolabel framework mean?

The European Union has shown an extensive commitment to achieving climate and energy targets⁴⁶, by integrating them into wide-ranging EU policies. *Action Plan: Financing Sustainable Growth*⁴⁷ published by European Commission in 2018, introduced the general initiative of the EU Ecolabel framework. Although the final release of EU Ecolabel is planned for the end of 2021, several draft proposals were published over the past two years, which have gradually clarified the product scope and criteria. The main idea behind EU Ecolabel is that it will be "awarded to the financial service being provided by the manufacturer of the green financial product, rather than to the financial product."⁴⁸ The main eligibility criteria for receiving the EU Ecolabel varies depending on the type of financial product in question. For packaged retail and insurance-based investment products (PRIIPs), eligibility is directly linked to capital allocation thresholds,



⁴⁵ Redon, N. and Husson-Traore, A., 2019. «Overview of European Sustainable Finance Labels.» Novethic, Caisse des Dépôts Group.

⁴⁶ European Commission. 2018. "Action Plan: Financing Sustainable Growth." [online] Available at: <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097>>

⁴⁷ European Commission, *supra*, note 49

⁴⁸ Joint Research Centre (JRC), European Commission, 2021. «Development of EU Ecolabel criteria for Retail Financial Products. Technical Report 4.0: Draft proposal for the product scope and criteria».

as well as to the environmental, social, and governance exclusions. For fixed-term savings and deposit accounts, in addition to capital allocation thresholds, eligibility is determined by their traceability.

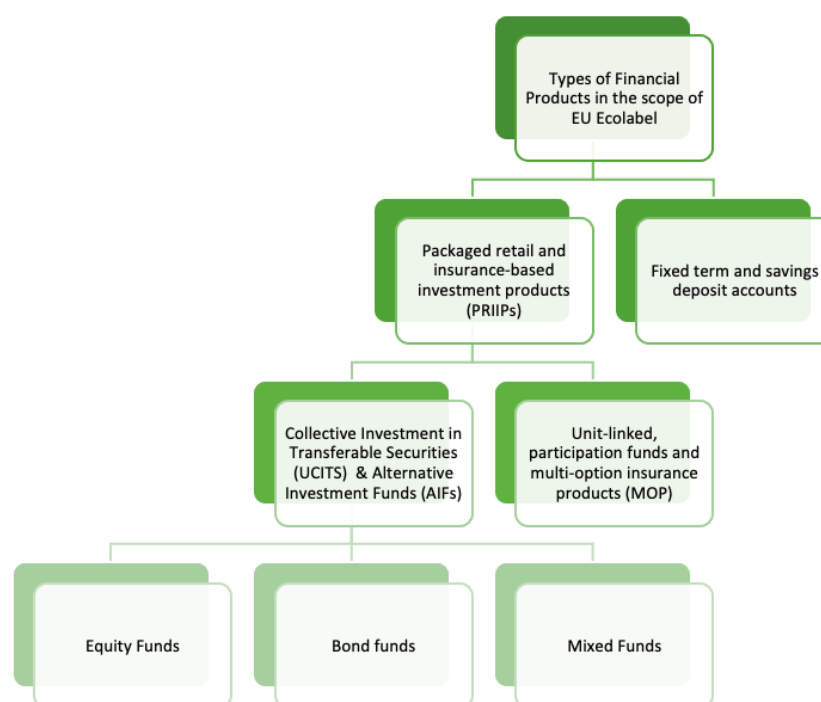


Figure 3. Ecolabel criteria for Retail Financial Products.

Source: JRC, European Commission, 2021.

EMBRACING THE TECHNOLOGICAL TRANSITION AS AN ACCELERATOR

Finally, it is a visible fact that digitalization has decreased the need for a personal relationship in retail banking. Consumers want ease, access anywhere and at any time, and full information at their fingertips. The majority of bank clients do not have contact with their financial advisors.⁴⁹ Hence, banks should not only make sure their financial advisors are well-informed and informing, but also update their technological infrastructure to reflect an ESG preference. This can be achieved by changing algorithms of investing apps in a way that offers ESG products as a default mode, by prominently displaying ESG ratings or changing the questioning used by AI-based bots.⁵⁰ In 2017, the launch of the UN Taskforce on the Digital Financing of the Sustainable Development Goals by UN Secretary General António Guterres marked a turning point in the way technology is perceived in sustainable finance. The taskforce, composed of international experts and political leaders, recently published a report called *People's money: Harnessing Digitalization to Finance a Sustainable Future*, with an emphasis on the role of digitali-

49 Fox, M. 2019. 99% of Americans don't use a financial advisor — here's why. [online] CNBC. Available at: <<https://www.cnbc.com/2019/11/11/99percent-of-americans-dont-use-a-financial-advisor-heres-why.html>>.

50 BEUC, *supra*, note 36

zation to enable a "citizen-centric" finance.⁵¹ Finance for Tomorrow is a great supporter of the idea that the digital transition can accelerate the sustainable finance transition. Since 2018, it organises a "Fintech for Tomorrow" Challenge supported by ADEME, the transition agency, to identify innovative sustainable projects in Finance and provide them development support.⁵²

Crowdfunding as an alternative?

In the light of achieving a sustainable financial system, organizations and businesses need to look for alternative ways to manage and support their activities. It is thus essential to look at how financial alternatives, such as crowdfunding, can help us move towards sustainability.

Crowdfunding represents an innovative form of financing, reuniting the members of the crowd and the fundraisers, with an online funding platform managing the flows between the two. For both profit and non-profit ventures, crowdfunding renders traditional financial intermediaries and channels unnecessary. There exists a broad spectrum of crowdfunding models, with diverse features, ranging from purely economic models to purely social models. *Peer-to-peer* lending is a form of financing that enables loans between individuals without intervention from financial intermediaries; *equity-based* crowdfunding enables investors to receive shares in the project they pledge to; and *donation-based* crowdfunding has for purpose to raise funds to contribute to social causes such as non-governmental organizations.

In 2013, in the EU alone over 2.3 billion were raised, filling a funding gap especially prevalent for entrepreneurs seeking seed capital for their projects.⁵³ The global growth of the crowdfunding market is expected to occur at a compound annual growth rate of 16% between 2020 and 2025.⁵⁴ In 2024, it is projected that the value of crowdfunding transactions will reach over \$1,180.5 million, with equity crowdfunding as the fastest-growing branch.

The growing popularity of crowdfunding explained

Crowdfunding has been used for projects of various natures, from journalism, music, independent film productions, startup companies, infrastructure, renewable energies, civic projects, and gaming. Platforms such as *Kickstarter* have enabled individuals to

51 United Nations, 2021. *Digital Financing Taskforce*. [online] United Nations. Available at: <<https://www.un.org/en/digital-financing-taskforce>>.

52 Finance for Tomorrow, 2020. *Challenge FinTech for Tomorrow*. [online] Finance for Tomorrow. Available at: <<https://financefortomorrow.com/en/challenge-fintech/>>.

53 Copenhagen Business School. 2019. The Role of Crowdfunding in Moving towards a Sustainable Society. [online] SmallBizgenius. Available at: <<https://www.journals.elsevier.com/technological-forecasting-and-social-change/call-for-papers/the-role-of-crowdfunding-in-moving-towards-a-sustainable-soc>>.

54 Stevanovic, I., 2021. 40+ Crucial Crowdfunding Stats in 2021. [online] SmallBizgenius. Available at: <<https://www.smallbizgenius.net/by-the-numbers/crowdfunding-stats/#gref>>.

raise over millions of dollars to fund personal and professional projects. A variety of crowdfunding platforms have emerged throughout the years to allow individuals to support specific projects, according to their preference. Within each category, such as civic projects, exists a myriad of platforms that allow individuals to thoroughly think about the impact of their money. Aside from enabling a wider spectrum of projects as compared to traditional sources of financing, crowdfunding has increased access to innovative finance and overcome geographical barriers.



Figure 4. Crowdfunding barriers and sustainable finance

3.3 SUSTAINABLE FINANCE ON THE FIELD: WHAT IMPACT CAN BE ACHIEVED WITH MONEY?

A report published by 2Dii in 2020 indicates that the majority of investors would need more information to decide whether they are interested in investing in impact funds. Information they are looking for include (1) the potential profits of the project, (2) detailed information on the investment project, (3) how the project is going to resolve social and environmental issues, and (4) evidence of the project's effectiveness in addressing social and environmental issues.⁵⁵

Indeed, why do we even bother to seek out sustainable finance? The answer to this depends entirely on the type of investment you want to make. While some banks and funds merely integrate sustainability risk evaluation in their investment decisions, others take it a step further by intentionally targeting impact by providing the financial means to projects, organizations and companies that want to have a positive impact. This can be achieved in a wide array of areas: while environmental impact could for example be achieved by supporting a wind farm or solar energy, social impact could happen by leveraging education for a number of people. We must remember that investing in renewable energy for example will not immediately have the intended impact of reducing carbon emissions. Fossil fuel plants will not immediately shut down just because we enable a wind farm to be built. In the long run, however, we can help shift financial flows from harmful projects towards more sustainable ones and build up pressure on the regulator to put further restrictions like taxes on the former.

Proper regulations like taxes on externalities of companies' operations consider the true cost of social and environmental factors that are not reflected in the price when we buy something. Impact, on the other hand, means the favorable externalities on society or the environment that can be achieved through impact investing. Social impact can for example be achieved by providing jobs to the unemployed, while environmental impact could for instance lie in lowered carbon emissions.

Impact investing as the final frontier

From an investor's perspective, this notion of impact-first can be summarized under impact investing. While in the past socially responsible investing used to select companies that performed well under the ESG criteria, Impact Investing takes this one step further. By creating funds with a measurable impact on ESG, investors can choose to focus on specific social or environmental issues or a cluster of them while typically still obtaining market-rate returns or slightly below. This is what differentiates impact investing from philanthropy that does not seek out returns.

These particular types of funds have been drastically gaining momentum in the last couple of years. From 2019 to 2020 alone, investments have increased from USD 502 billion to 715 billion. In impact investing, we have three main pillars that are the fundamental to impact: Intentionality, additionality and measurement.

⁵⁵ 2^e Investing Initiative, *supra*, note 2

Intentionality. As explained, investors actively seek impact in addition to returns. This means that the impact is not just a positive side-effect, but intentional. Investors would typically have what is called an impact thesis to achieve this, where they specify their intended impact before making an investment decision.

Additionality. Investors do not just want to support companies that have a great impact, but further help them to increase this impact. This is what is meant by additionality. It describes what a company or project could achieve thanks to a certain investment, which otherwise could not have been achieved.

Impact Measurement. In order to prove that an investment has allowed a company or project to have an *additional* impact (additionality!), we must measure the impact. This is best done by quantifying the outcome of an investment. For instance, we would not just want to measure that *some* people have been provided with healthcare. Instead, we aim to measure the exact number of people positively impacted.⁵⁶

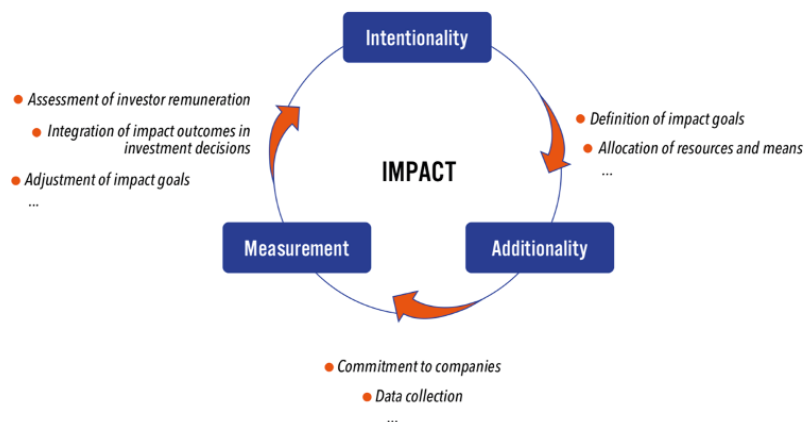


Figure5. Links between intentionality, additionality and impact measurement.

Source: FIR.

⁵⁶ Forum pour l'investissement responsable (FIR), n.d. Impact Investing. Available at: https://www.frenchsif.org/isr-esg/wp-content/uploads/FIR-FranceInvest_ImpactInvesting_2021.pdf

4. CONCLUSION: KEY TAKEAWAYS AND WHAT'S NEXT

Sustainable finance is a key element to unlock private capital, including from individuals, to accelerate the achievement of the UN Sustainable Development Goals (SDGs) and the Paris Agreement.

The first part of this report outlines that a key barrier preventing the uptake of sustainable finance decisions from retail consumers is financial literacy. Financial literacy levels among many countries are troublingly low. Improving these figures, particularly among the youth, will be key to boost sustainable finance, as the young adults of today will be the ones making the financial decisions of tomorrow. Moreover, even among populations with a better understanding of finance and an interest in sustainability, individuals sometimes have difficulties integrating financial decisions as part of their sustainable consumption patterns. Increasing awareness on the impact that individuals can have with their money and the available options to them will empower citizens to make more informed and sustainable decisions every day. Finally, knowledge gaps do not only exist on the demand side, but also in the supply side. While there has been a broad acknowledgement in the industry of the key role of financial institutions in enabling a shift to a more sustainable economy and numerous retail institutions have made important pledges, it has often not trickled down to bank counsellors and financial advisors who are ultimately in direct contact with customers. Investing in employee development and upskilling of workers in the industry will play an important role in ensuring the transition to a more sustainable finance, and most importantly, in translating it onto the customer side.

On the bright side, this report also shows that there are various developing solutions that have an important impact in shifting the narrative on finance. First, new models are being created and tested continuously by retail and commercial banks, including sustainable products like green home-improvement loans or green credit cards. However, increasing offering is not enough, and harmonization in approaches, vocabulary, and standards among is important to prevent green-washing and improve consumer understanding. There is a growing number of initiatives to set standards and principles in the industry, as well as establishing policies, such as the Taxonomy and the Ecolabel in Europe. This report also dives into the topics of crowdfunding and impact investing which are transforming the finance industry and expanding performance measurements beyond financial returns.

We hope this report could help interested students and citizens to get an overview of the sustainable retail finance landscape and better understand some of the basic concepts and tools available to them. While not fully comprehensive, this report puts together key pieces of the sustainable finance puzzle with which readers can start informing themselves, raise awareness among their social circles and start making financial decisions that are aligned with their values. We encourage you to embark on the sustainable finance journey and seek for ways to support this shift with your personal choices.

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ANNEX 1. QUALITATIVE INTERVIEWS: SUMMARY AND KEY TAKEAWAYS

In an effort to better understand consumers' awareness of sustainable finance, in particular within the retail sector, in January 2021, we conducted a series of qualitative interviews to 12 retail investors. This annex provides an overview of our findings.

When we asked our interviewees "what does sustainable finance mean?", half of them have no idea how to answer the question as they do not know the notion of sustainable finance. And the others who have heard of sustainable finance perceived the term as "ecologically and/or environmentally friendly", "long-term project", and "financial sustainability".

Then, when we ask them the question "have you ever thought about where, how, and for what is the money in your savings account being used?", 75% answered "yes" but the majority have no idea about the specific project of which their money is being used. None of our respondents have been informed by their bank counselor or financial advisors on how their money is being used by the bank. And a great majority of them have never been explained by the counselor on a voluntary basis on what are sustainable finance and ecolabels.

Finally, to understand the demand for sustainable finance, we asked our interviewees two different questions. First, whether they are aware of/ or believe that their money might be invested by the banks in projects that cause negative impacts on the environment or the society. All our interviewees answered that they are aware of it, but only a minority of them have already made the change by investing in sustainable projects. Some respondents, particularly the students, said that they did not make any change to their investments or savings behavior because they simply have no choice other than to deposit money to the bank. Second, we ask our interviewees whether they take sustainability into account when making financial decisions. Some respondents who invest answered yes. But over half of the respondents who invest stated that sustainability is not their primary concern, instead, they prioritize financial returns over sustainability.

ANNEX 2. LIST OF INTERVIEWEES

	Name	Function	Institution
1	Anne-Claire Roux	Managing Director	Finance for Tomorrow
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3	Stéphane Voisin	Researcher	Institut Louis Bachelier
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7	Aurélie De Barochez	Head of ESG Integration	Groupama Asset Management
8	Dimitri Cassignol	Content & Social Media Manager	Agence Shan

ANNEX 3. "5 MISSIONS FOR SUSTAINABLE FINANCE"

To engage further with citizens, the students have designed "5 missions for sustainable finance", gathering key information and simple actions ideas to undertake to be part of the change.

Everyone is welcome to use them as part sensibilization projects on sustainable finance.



Sustainable Consumption



Sustainable finance is about aligning our financial decisions to our personal values, concerns, and aspirations, in line with the sustainable development goals. It may seem distant at first, but here are some simple actions that you can undertake to be part of the change.

Do you have in mind that even before saving money, the main financial decision that you take each day is your consumption?

Consumption & production are key drivers of the global economy, thus having an immense role in encouraging and facilitating sustainable development. Every spending in a company's product constitutes its annual revenue, and its stakeholders dividends. Shifting towards sustainable consumer behaviour could reduce our ecological footprint, mitigate climate change, and aid the achievement of sustainable development goals.

i Sustainable development stands for “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”¹

i Global sustainable society should be “founded on respect for nature, universal human rights, economic justice, and a culture of peace.”²

It's up to you!



For this first mission, we invite you to download an application (or two!) that can help you create a more sustainable lifestyle

We act for good (WAG)

WAG is a digital platform proposed by World Wide Fund (WWF). The main goal of this app is to encourage and assist grand public in transforming their habits and in adopting a sustainable lifestyle.

Yuka

This app presents the composition of consumers' favorite products and ranks them. Consumers just need to scan a product's barcode to get a score out of 100 and a meaningful color (green, yellow, red). The app even suggests substitutes when the rating is red.

¹ Brundtland, G.H. 1987. Our Common Future: Report of the World Commission on Environment and Development. Geneva, UN-Dokument A/42/427.

² Bosselmann, Klaus, and J R. Engel. 2010. The Earth Charter: A Framework for Global Governance. Amsterdam, The Netherlands: KIT Publishers.



Own your finances

Sustainable finance is about aligning our financial decisions to our personal values, concerns, and aspirations, in line with the sustainable development goals. It may seem distant at first, but here are some simple actions that you can undertake to be part of the change.

Do you feel confident about money, investment, and able to make your own financial decisions? Most of us are not, but it's an issue we can solve!

i Financial literacy is a “a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.¹

In the OECD international survey of adult financial literacy in 2020, the sampled participants scored an average of 12.7 over 21, showing an inadequate grasp of basic financial concepts such as savings, interest rates, investments, and inflation. Worryingly, the study highlights that the degree of financial illiteracy is more prevalent among women, youth, and less-educated people.

Financial literacy is fundamental for sustainable finance, as informed clients are more able to get interested in the impact of their investments. This impact is usually understood along the Environmental, Social and Governance (ESG) criteria. To avoid practices focused solely on maximizing financial returns, it is necessary that retail consumers ask for positive impact and for transparency on sustainability issues!

It's up to you!



For this second mission, we invite to gain confidence concerning your financial decisions, by learning about finance and sustainability as well!

Get ready to save money!

A funny trick - among all the good ideas one could find on TikTok ;) Write the numbers from 10 to 50 on cards, two times. Each week, draw out 2 cards and save the amounts on the card (in cash or in your account). How much money could you save by the end of the year?

We let you do the maths!

Learn by yourself online

- Environmental-finance.com
- Investopedia.com
- Lafinancementpourous.com
- Novethic.com
- Thebalance.com

¹ OECD INFE. 2011. Measuring Financial Literacy: Core Questionnaire in Measuring Financial Literacy: Questionnaire and Guidance Notes for conducting an Internationally Comparable Survey of Financial literacy. Paris: OECD.



Ask your advisor



Sustainable finance is about aligning our financial decisions to our personal values, concerns, and aspirations, in line with the sustainable development goals. It may seem distant at first, but here are some simple actions that you can undertake to be part of the change.

Do you wish to have any information about the impact, positive or negative, of the investments made from your savings account?

The money you earned is used to finance the economy, and it is generating a financial return. It can also have a positive or a negative impact on the environment and society. Do you care to know what projects your money is supporting? You can't know what they are if you never ask!

Your bank adviser is the closest person you can refer to. He or she should be able to give you informing concerning climate-financial risk management assessments, ESG criteria and sustainable labels.

In France, you can ask for the labels “ISR” & “Greenfin”. In addition, we advise the App “Rift” that can scan your financial accounts!

You are concerned if you have:

- Financial account
- Savings account
- Loan undergoing
- Life-insurance



But even if you don't, raise the issue to your advisor for your future self, and to show to the financial industry that you care about this!

It's up to you!



For this third action, we invite you to contact your bank advisor (even digitally), to enquire on its sustainable products and practices.

The following questions could help you to gain more information about the subject:

- For what purpose are deposits in my savings account being used? What are the projects your bank invests in?
- Can you explain to me the sustainable labels in finance, and how to access the funds?
- Does your bank offer any sustainable/ ESG deposit products?
- How do you analyse the degree of sustainability of a company or a project, as well as its risks and returns?
- Has your bank pledged to support the alignment of financial flows with a low-carbon, sustainable economy?
- Is there any way to keep track of the bank's actions and progress?



Crowdfund(ing)

Sustainable finance is about aligning our financial decisions to our personal values, concerns, and aspirations, in line with the sustainable development goals. It may seem distant at first, but here are some simple actions that you can undertake to be part of the change.

Would you be interested in investing directly to support the projects you believe in?

i Crowdfunding is “the practice of funding a project or an activity by raising many small amounts of money from a large number of people, usually using the internet.”¹

For individuals wishing to invest their money and have an impact through their savings, crowdfunding is an efficient approach to sustainable finance. Indeed, it enables to invest directly in projects, in a transparent and innovative manner. There exists a broad spectrum of crowdfunding models, with diverse features and ranging from purely economic to social models: peer-to-peer, equity-based, or donation-based financing. Crowdfunding can be used for projects of various natures, from journalism, music, independent film products, start-ups, infrastructure, renewable energies, civic projects, or even video games.

Obviously, you should stay careful on websites credentials and ESG analysis. For more information, you can visit the European Crowdfunding Network. In France, there is a label “Crowdfunding for Green Growth”.

It's up to you!



For this fourth action, we invite you to explore a myriad of crowdfunding platforms that allow individuals to thoroughly think about the impact of their money.



Founded in 2006, Mightycause is an online non-profit fundraising software that is mission driven and committed to empower individuals with the causes they believe in. Since its inception, Mightycause has raised over \$600 Million.³
<https://www.mightycause.com/>



Founded in 2014, Lendahand is an online for-profit impact investing platform. Lendahand gives individuals the opportunity to invest in entrepreneurs and SMEs in emerging markets, enabling individuals to fight poverty and get a return on their investment.
<https://www.lendahand.com/en-EU>



Founded in 2014, LITA.co aims to participate actively and effectively in reducing social and environmental inequalities around the world. It offers digital impact investing solutions to citizens, in terms of impact, maturity, and investment. Since its launch, LITA.co invested €48millions.
<https://fr.lita.co/>



Founded in 2016, EcoTree rewards you simply for buying tree, and not with just a pat on the back but also financially! Over 50 000 persons are now happy-tree owners. EcoTree is the laureate of Finance for Tomorrow's Challenge “Fintech for Tomorrow”.
<https://ecotree.green/en/>

¹ Advanced Learner's Dictionary. 2021. Crowdfunding noun, OxfordLearnersDictionary.com

² Martinez-Climent et Al. 2019. Sustainable Financing through Crowdfunding. Sustainability



Get Involved

Sustainable finance is about aligning our financial decisions to our personal values, concerns, and aspirations, in line with the sustainable development goals. It may seem distant at first, but here are some simple actions that you can undertake to be part of the change.

Do you know that your voice can be heard so you can help advance the sustainable finance agenda to reach the Sustainable Development Goals?

Regulations and policies are a cornerstone for the development of sustainable finance practices. The UN PRI monitor their evolution in its program “The Inevitable Policy Response”, concerning five key topics: (1) corporate ESG disclosures; (2) stewardship (3) investors’ duties to incorporate ESG considerations; (4) national/ regional sustainable finance strategies, and (5) taxonomies of sustainable economic activities.

In Europe, the “Sustainable Finance Action Plan” is redefining the framework of the financial sector, and supports the “Green Deal” investment project for the economic recovery of the continent.

The work of NGOs is essential to influence the industry and to increase the visibility of the topic. For example, you can discover the work of 2Di, WWF, BetterFinance, ShareAction, Oxfam, Reclaim Finance.

Finance for Tomorrow is a French association promoting sustainable finance. Connect to our social medias, sign up to our newsletter, and discover our publications for more information!

It's up to you!



For the fifth and final mission, we invite you to discover as much as you can about sustainable finance and stay updated on the topic to be able to influence its future development:

Read your classics:

Positive Finance, Philippe Zaouati, 2015

Climate: the financial challenge, Pierre Ducret & Maria Scolan 2016

Principles of Sustainable Finance, Dirk Schoenmaker & Willem Schramade, 2018

In French: *Placements verts, mythes et réalité*, Guillaume Sommerer, 2021

Report: “Increasing citizens awareness on sustainable finance”

The authors of these missions are Master students from SciencesPo Paris. We wrote a report dedicated to help you better understand the issues rendering sustainable finance. Discover our report here!

ACKNOWLEDGMENTS

This study was carried out by Andrews Aboagye, Yin Chih, Martina Fattiboni Ferrara, Salome Kotia, Elisa Maes, Chiara Pass, students of the Master International Management and Sustainability at Sciences Po Paris, under the guidance of Natacha Boric, Head of Contents and Publications of Finance for Tomorrow, and supported by 2 Degrees Investing Initiative and Institut Louis Bachelier.

We are very grateful to Félicité Gasparetto, Academic advisor of the Master in International Management & Sustainability at SciencesPo Paris, for organizing the "Capstone Projects". Our appreciation goes to the team of Finance for Tomorrow, for their assistance in producing this note. We thank all of the people interviewed as part of our research, for sharing their vision and their expertise, as well as those who participated in our survey.

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