SAVING MONEY WHILE SAVING THE PLANET?

Feedback from the first experience of CO_2 labeling on banking products

UTOPIES®

GROUPE CAISSE D'EPARGNE

CENTRE INFO

Introduced in June 2008 by the Caisse d'Epargne, the sustainability label for savings products allows consumers to compare passbook savings accounts, mutual funds and life insurance offerings on the basis of three criteria: financial risk **(Security Criterion)**, the use of social and environmental criteria in managing the product **(Responsibility Criterion)** and the impact on the climate of the activities financed with the products **(Climate Criterion)**. This report focuses on the third criterion.

The complete grading methodology may be freely consulted and used by other banks.
See at: www.utopies.com/bank-label

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UTOPIES®

Founded in 1993, Utopies is France's leading consultancy in corporate social responsibility. Utopies jointly developed the labeling methodology presented in this report and advised the Caisse d'Epargne on preparing and implementing the concept.
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CENTRE INFO

Since its founding in 1990, Centre Info has advised asset managers on matters relating to SRI (Socially Responsible Investing). Specifically, Centre Info developed envIMPACT®, a database on the carbon footprint of listed companies that was used to grade equity portfolios as part of the labeling process.
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GROUPE CAISSE D'EPARGNE

The Caisse d'Epargne is one of France's largest commercial banks.
As a pioneer in introducing SRI funds and supporting research into Socially Responsible Investing, the Caisse d'Epargne set an objective in June 2007 of applying a sustainability label to all of its products targeted to individual consumers by the end of 2008. This commitment is part of the bank's Bénéfices Futur programme, and more specifically its Responsible Marketing and Climate components.
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SUMMARY

EDITORIAL

In June 2007, Nicolas Mérindol, Chief Executive Officer of the Groupe Caisse d'Epargne, announced his intention to apply a sustainability label to all banking products targeted to individual customers. This decision, the culmination of several months of preparation, was a major step towards responding to the expectations of environmental groups and consumer activists, which had long sought more transparency in banking products. Moreover, it represented the first stage of a more comprehensive plan, Bénéfices Futur, aimed at developing "responsible" products on a broad scale and establishing the Caisse d'Epargne as a bank that is strongly committed to sustainable development.

It led to an unprecedented collaborative process. For nearly a year, the Caisse d'Epargne, Centre Info and Utopies worked in cooperation with a stakeholder panel consisting of ADEME, the French Environment and Energy Management Agency; two environmental associations, Friends of the Earth (France) and the WWF; and Testé pour Vous, a financial products observatory that specializes in consumer information. Despite the "cultural distance" among these groups, they established a fruitful collaboration targeting a common objective: developing and implementing a methodology over the course of a few months that would be made public and freely available to other banks.

Now, one year later, this report summarizes the preliminary results in one area in particular: the impact of banking products on climate change. The report analyses the grades given to the Group's savings products, as well as the practical implications of the evaluation system for both the bank and consumers. Its publication coincides with the label's debut on the sales materials accompanying the savings products offered in each Caisse d'Epargne branch, and with the publication of the methodological document on the Group's Web site.

Needless to say, this effort is merely a first step. The methodology must be developed in greater depth in several respects, other groups of products have yet to be labeled, and deployment within the Caisse d'Epargne network is in its earliest stages. Nonetheless, the introduction of these labels, though still in the pilot phase, corresponds to one of the project's core commitments: exploring, innovating and informing consumers, as quickly as possible, in order to take immediate action and demonstrate that solutions are possible, without waiting for a market consensus to emerge on each sensitive issue. It was in this spirit that the Caisse d'Epargne provided funding for the project, the authors opted to make an open source methodology, and the stakeholders agreed to join forces with a banking institution. Now we hope that other members of the banking community will join us in this adventure.

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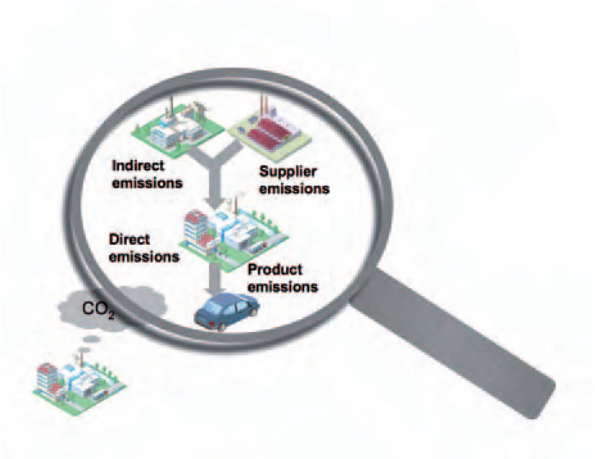
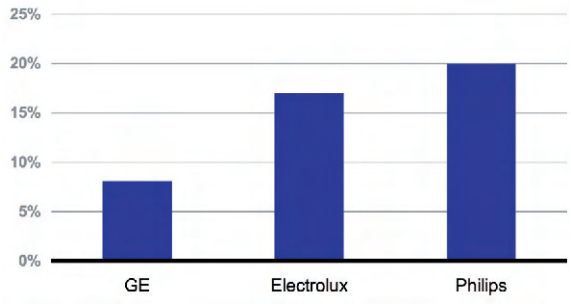
CARBON FOOTPRINT OF ORGANIZATIONS

With the development of methods for calculating CO_2 emissions, we can now estimate the carbon footprint of the various economic activities that savings account holders may ultimately finance, in some cases unwittingly. These calculations reveal major disparities among business sectors as well as among companies within a single sector.



Source: Utopies

GRAPH 1: SHARE OF GREEN PRODUCTS BY COMPANY IN 2007 (AS A PERCENTAGE OF SALES) Source: Utopies



As part of its Ecomagination programme, GE has set a goal of doubling its sales of eco-efficient products between 2005 and 2010. Philips has announced a target of 30% of sales by 2012, Electrolux plans to incorporate green products into each of its product lines.

BUSINESSES FOCUSED ON THEIR DIRECT EMISSIONS

In the face of mounting regulatory pressure prompted by climate change and the likelihood of changing consumer demand, companies began measuring their greenhouse-gas emissions in the early 2000s, notably in order to provide this information to investors. Half of the 500 biggest listed companies published their emissions in 2006[1].

Standardized methods of calculating these emissions have gradually emerged, including the *Greenhouse Gas Protocol* at the international level and the *Bilan Carbone*® in France. These standards recommend that companies measure their carbon footprint, i.e., all of the emissions induced by their activities:
- *Direct emissions*, from factories, boilers, etc.;
- *Indirect emissions*, tied to the production of the electricity they purchase;
- *Upstream induced emissions*, i.e., those induced by the supply chain and logistics;
- *Downstream induced emissions*, i.e., those induced by the use of their products (cars, electrical appliances).

In practice, most companies calculate only their direct and indirect emissions. They omit the emissions caused by their purchases and their products, either because they lack a proven methodology[2], or they find it difficult to consolidate the data, or because their responsibility for these other emissions is more attenuated. Thus, among the 500 largest companies, only 16% publish (partial) information on these induced emissions[3], and this number dwindles to just a few companies (BP, Tokyo Gas, a number of automotive manufacturers) when it comes to measuring emissions from the use of their products.

A GROWING INTEREST IN INDUCED EMISSIONS

The financial risks are far from limited to direct emissions, however. Although the earliest regulatory initiatives such as the Kyoto Protocol and ETS Europe were targeted to direct emissions, governments are now focusing their attention on induced emissions (see pages 8 and 10).
Some companies, such as General Electric, Electrolux and Philips, are beginning to set growth objectives for the sale of "climate-friendly" products (Graph 1).

[1]Carbon Disclosure Report 2006, FT500, Innovest (2007)
[2]The Life Cycle Analysis method can be used for calculations involving a single product but requires an exorbitant effort if applied to an entire company.
[3]Ibid

To overcome this lack of information, it is possible to estimate a company's carbon footprint on the basis of a statistical model, and compare it with that of other companies (see box below). What we see is that in many extremely carbon-intensive sectors, the bulk of emissions is tied to the supply chain or to products such as in the oil, automotive and food industries (Graph 2).

Moreover, we find a very wide disparity in carbon intensity not only among business sectors (a ratio of 1 to 100), but also among companies within certain sectors (Graph 3). There is a ratio of 1 to 200 among electric utilities, depending on the primary energy used (renewable or fossil), and 1 to 2.5 in the automotive industry, based on the type of vehicles sold (small cars or SUVs).

WHAT ABOUT OTHER ORGANIZATIONS?

Small and medium-sized enterprises (SMEs), central and regional governments and other organizations have been much slower to calculate their carbon footprints. France's government ministries did not undertake the process until 2007. However, as with large companies, it is possible to estimate emissions of SMEs and central governments using statistical data (see box). With regard to households, over the past several years we have seen the emergence of a profusion of individual calculators on the Internet that individuals can use to estimate the emissions caused by their consumption habits (see page 10).

WHAT ARE THE IMPLICATIONS?

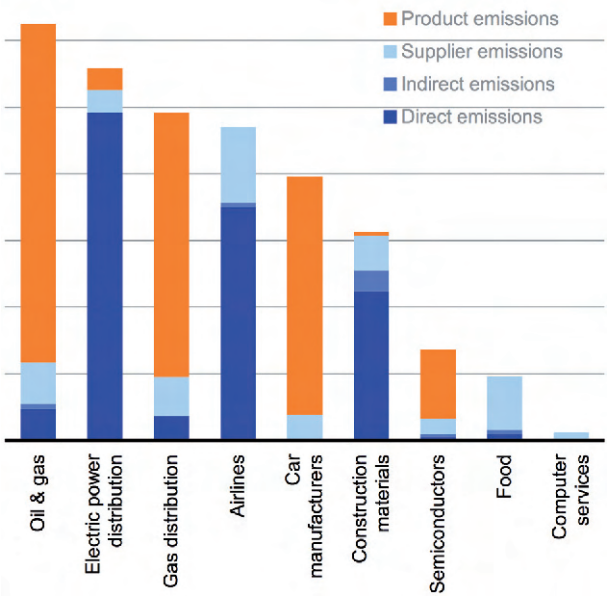
Investors interested in knowing the carbon intensity of their investment options can base their decisions on the emissions from the various activities financed by their investments: those of businesses, governments and SMEs, and consumption activity via loans.

HOW DO WE ESTIMATE AN ORGANIZATION'S CARBON FOOTPRINT?

In order to calculate a listed company's emissions, Centre Info uses databases to break down its value chain into multiple activities to which it assigns CO_2 emission factors per million € of activity[4]. These data are then supplemented by an analysis of the types of products sold by the company (e.g., cars) or its energy mix (for an electric utility). The carbon footprint of governments and municipalities can be assessed in similar fashion, by analysing public spending in each business sector. In this way intensity per million € of activity can be compared.

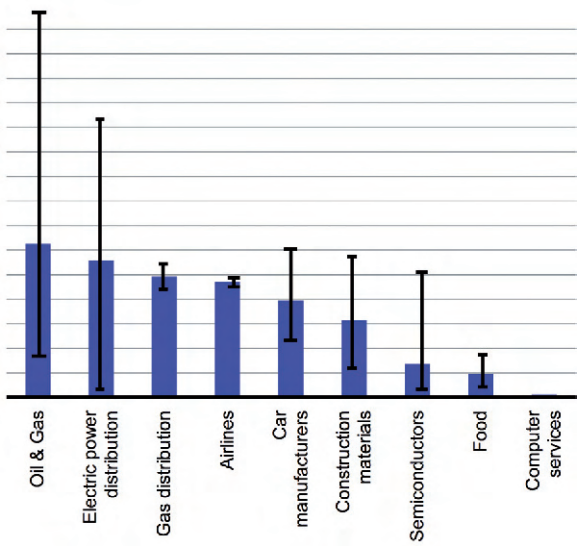
GRAPH 2: RELATIVE CARBON INTENSITY OF SELECTED SECTORS

Source: Centre Info



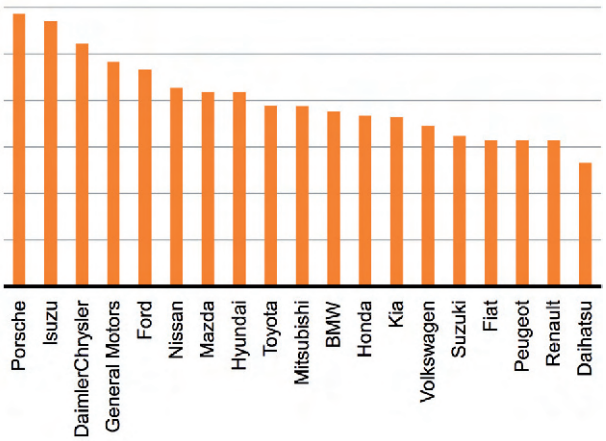
GRAPH 3: DISPERSION OF CARBON INTENSITY BY SECTOR

Source: Centre Info



GRAPH 4: RELATIVE CARBON INTENSITY OF CAR MANUFACTURERS

Source: Centre Info



[4]Data from the Input/Output database at Carnegie Mellon University's Green Design Institute, backed by Life Cycle Analysis data for each activity. This database compiles direct, indirect and induced emissions for 500 business sectors.

CARBON FOOTPRINT OF SAVINGS PRODUCTS

When identifying the economic activities financed by an investment, it is possible to determine the emissions caused by the various savings products.
Analysis of the products offered by the Caisse d'Epargne reveals a ratio of more than 1 to 10.

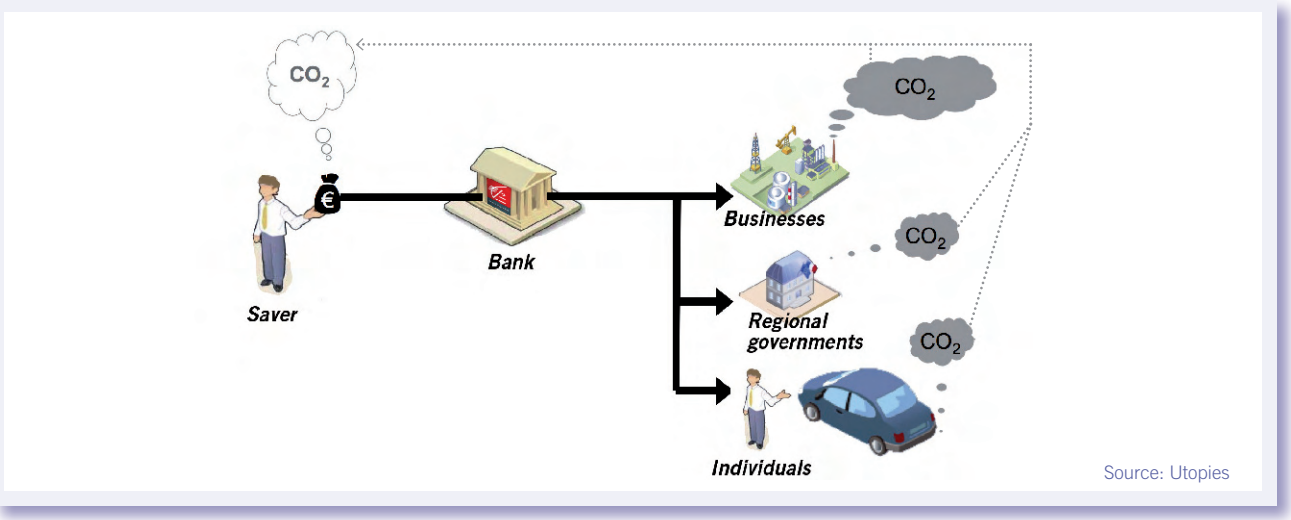
AN ENTIRELY NEW APPROACH

In a report published in 2007, France's CLCV consumer association and Friends of the Earth called on banks to provide more information to account holders regarding the impact of their decisions on our climate[5]. We assume instinctively that the emissions induced by a financial product, or those of a bank, are more likely related to investment-funded activities than to the bank's direct emissions. However, prior to 2008, no bank had conducted a full accounting. Some asset managers[6] did report the emissions generated by their portfolio, but this was limited to equity investments and very often to the direct emissions of the companies in question.

Against this backdrop, the Caisse d'Epargne's announcement that it would label its full range of financial products in 2008 prompted intense interest among observers. To perform these calculations, each savings product was analysed in order to identify the businesses, governments or activities financed with the funds collected. Next, the carbon footprint of each activity (see the previous pages) was assigned to the savings products in proportion to the financing they provided. For example, if the investment represented 1% of a company's financing, then 1% of the company's annual emissions was assigned to that investment.
A similar approach was applied to governments and individuals. Finally, each savings product was assigned a carbon intensity expressed in CO_2 / € invested[7].

HOW DO THE VARIOUS ACTIVITIES FINANCED COMPARE?

To no great surprise, with regard to equities, the business sector's carbon intensity largely determines that of the share. For example, one share in the oil industry has a carbon footprint 10 to 30 times greater than a share in the renewable energy industry (and the same logic applies to corporate bonds). But when we compare different classes of assets, other factors play a role:
• The most important of these is the multiplier effect, which is stronger when a "productive" activity, such as a business, is being financed rather than a consumption activity such as a car loan. In concrete terms, €20,000 converted to a car loan will simply put one car on the road, whereas the same €20,000 invested in an automotive plant will put several vehicles in circulation[8].
• The second factor relates to the value of the assets, since carbon intensity reflects a ratio of emissions to financial value. Thus, although housing is a significant source of emissions at the country level, the intensity of a property investment or loan will be low (compared to a car, for example) because of the high value of the housing.
• Lastly, the intensity of government bonds, which are used to finance government operations, is relatively low. This reflects the substantial proportion of government spending attributable to services (social welfare, education, health care, etc.). Nonetheless, the carbon intensity of governments can range from 1 to 4, depending on the country's energy mix, how its expenditures and investments are structured and the estimated value of its assets (roads, bridges, buildings, etc.).



Source: Utopies

[5] *Environnement: Comment choisir ma banque ?* CLCV/Friends of the Earth (France) (2007)
[6] See in particular How Green is My Portfolio? Henderson Global Investors/Trucost (2006).
[7] For simplicity's sake we refer solely to CO_2, but in fact the calculation takes other greenhouse gases into account as well (CH4, HFC, etc.) and is therefore expressed as CO_2 equivalent.
[8] Equities totalling €20,000 held in an automotive manufacturer valued at €2 billion will be assigned 0.001% of the manufacturer's annual emissions (900 million metric tons of CO_2/year), or 4.5 metric tons of CO_2/year. An auto loan of €20,000 for two-thirds of a vehicle's purchase price will be assigned two-thirds of the vehicle's annual emissions (three metric tons of CO_2/year), meaning two metric tons of CO_2/year.

HOW DOES THIS TRANSLATE INTO RATINGS FOR SAVINGS PRODUCTS?

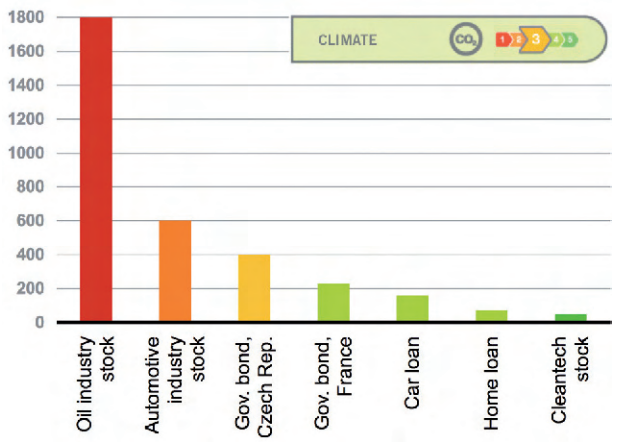
The differences observed in the ratings assigned to activities are obviously reflected in the products. Thus, the funds invested in savings accounts, with which the bank extends loans and invests in government bonds, are not carbon-intensive by comparison with equity funds that finance major manufacturing groups. By the same token, low-risk savings funds, which includes many government bonds and few equities, prove to be less carbon-intensive than 100% equity funds.
Nonetheless, given the major variations in intensity among and within business sectors (see page 5), equity funds can rival savings accounts. Among the products offered by the Caisse d'Epargne, for example, this is true of the *Ecureuil Bénéfices Environnement*, which gives preference to companies that are active in protecting the environment. Funds invested in renewable energy shares may even score better than savings accounts. Consequently, equity investments are not necessarily more carbon-intensive.

Equally surprising, the *Livret Développement Durable* (LDD), a savings account marketed as "sustainable" by the French authorities, has a higher intensity than the Livret A savings account. This is because only a small proportion of the LDD is currently used to finance green loans; most is still allocated to loans for SMEs.
Meanwhile, since a significant share of the Livret A savings account is set aside for social housing, its carbon intensity is lower, bearing in mind the remarks made earlier[9].

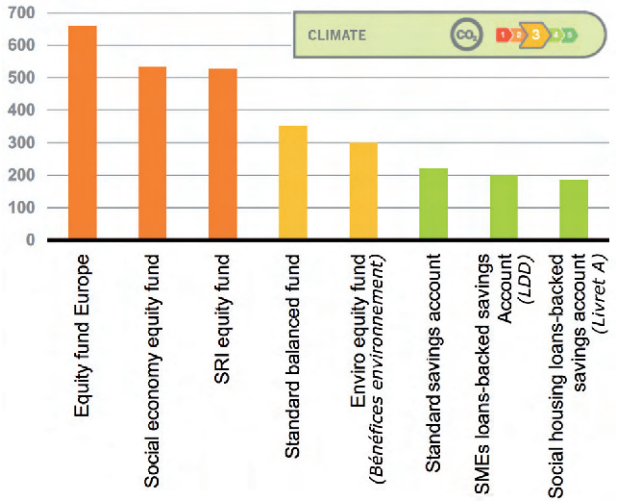
HOW CAN THIS INFORMATION BE USED?

As we explain in the sections that follow, this information can be used by both asset managers, to reduce their exposure to "climate risk", and by savers who wish to consider the impact of their decision on the earth's climate. However, in contrast to the calculation of a business's direct emissions or a vehicle's CO_2 label, this method does not allow us to determine the banker's or saver's share of responsibility for the emissions induced by his or her choices, since customers, insurers, suppliers and many others play a role in converting financing into economic activity.

GRAPH 1: CARBON INTENSITY OF SELECTED ASSET TYPES (IN METRIC TONS OF CO_2/MILLION €/YEAR)
Source: Caisse d'Épargne



GRAPH 2: CARBON INTENSITY OF CAISSE D'EPARGNE SAVINGS PRODUCTS (IN METRIC TONS OF CO_2/MILLION €/YEAR)
Source: Caisse d'Épargne



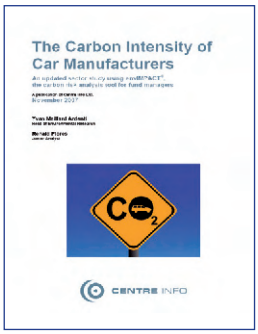
[9]The Eco Savings Account (LDD) and Livret A savings account are regulated savings products: their name and the rules governing allocation of their funds are defined by the legislature.

IMPLICATIONS FOR ASSET MANAGERS

With the emergence of a "carbon constraint", asset managers are feeling they must assess the exposure of their portfolio to this new financial risk.
Although the carbon footprint alone will not suffice for calculating this risk, it does offer a starting point in highlighting activities that require further study.

THE LINK BETWEEN CARBON INTENSITY AND FINANCIAL RISK HAS NOW BEEN ESTABLISHED

In their report entitled *Show Me The Money*[10], a number of major banks and financial institutions agree that climate change should now be considered a factor in any financial analysis. The accumulated evidence pointing to climate change, coupled with speculations regarding the imminence of Peak Oil, signal the likelihood of a sharply altered regulatory environment, major changes to the cost structure within certain sectors, a decline in carbon-intensive activities and rapid growth in alternative technologies.
In the face of these risks and opportunities, two companies within the same industry can have highly unequal levels of exposure to climate risk[11]:



- The first risk is the rapid increase in the *cost of emissions* as a result of regulations or taxes. This will affect direct emissions of electric utilities that use a variety of primary energy sources, emissions generated upstream of the value chain by two chemical companies that rely on different raw materials, and emissions from vehicles sold by two manufacturers having different car ranges (see page 5). This risk is obviously reinforced by the rising cost of energy, since carbon intensity and energy intensity generally go hand in hand in a world that still relies heavily on petroleum.
- The second series of risks involves *trends in demand* as a result of these changes. A particularly striking example can be found in the automotive industry, where General Motors recently announced that it is cutting back production in the SUV segment, which had previously been the focus of its growth potential (see also the impact of green taxes on page 10). By contrast, the companies that have made the greatest progress in developing climate-friendly solutions in the transport, materials and energy sectors are positioned to reap the benefits of a new industrial revolution.
- We are also seeing the emergence of new *legal risks*. In the United States, municipalities are suing electric utilities for future damage caused by climate change. Similarly, Friends of the Earth, Greenpeace and four US cities have attacked the federal government, claiming that certain State-owned financial institutions are financing oil projects abroad without assessing their environmental impact[12]. To date, none of these proceedings has resulted in any liability, but the $280 billion in damages[13] assessed against American tobacco manufacturers after more than 30 years of legal proceedings suggests that the door is still open to surprising developments.
- Lastly, some investors[14] believe that although legal action of this type has little chance of success, it nonetheless poses a risk of damaging the reputation of all or at least some industry players in fields such as air transport or consumer products.

HOW CAN A PORTFOLIO'S CARBON INTENSITY BE USED TO REDUCE THE FINANCIAL RISKS?

In light of these factors, the process of calculating an investment portfolio's carbon intensity can provide a preliminary sense of the potential risk to which the investor is exposed. For example, an initial step in estimating the financial risk related to climate issues involves assigning a price to CO_2 in order to estimate the costs with which the company could be confronted[15]. In this regard, the method described here offers a decided advantage for investors, since it takes the company's entire carbon footprint into account (cf. page 4), not just its most direct emissions. This will be especially relevant in the automotive sector, where 88% of a manufacturer's carbon footprint derives from the vehicles themselves, compared with 10.5% that is attributable to its upstream value chain and just 1.5% to production[16].

[10]UNEP Finance Initiative, "Show Me The Money: Linking Environmental, Social and Governance Issues to Shareholder Value", 2006 report
[11]See in particular "Climate Change and Shareholder Value", Carbon Trust, March 2006
[12]The US federal government is accused of allowing the Export-Import Bank and the Overseas Private Investment Corporation to fund offshore projects having a significant climate impact without conducting an environmental impact study, as would be required by law for domestic projects.
[13]An agreement signed in 1998 between 46 US states and American tobacco manufacturers establishing compensation for concealing the effects of tobacco on health.
[14]Marc Levinson, "Liability from Climate Change", JP Morgan, 29 November 2006
[15]See in particular the Carbon Disclosure Report 2006, Innovest, 2007
[16]Yvan Maillard-Ardenti, Renald Flores, "The Carbon Intensity of Car Manufacturers", Centre Info SA, November 2007

WHAT MANAGEMENT STRATEGIES ARE APPROPRIATE?

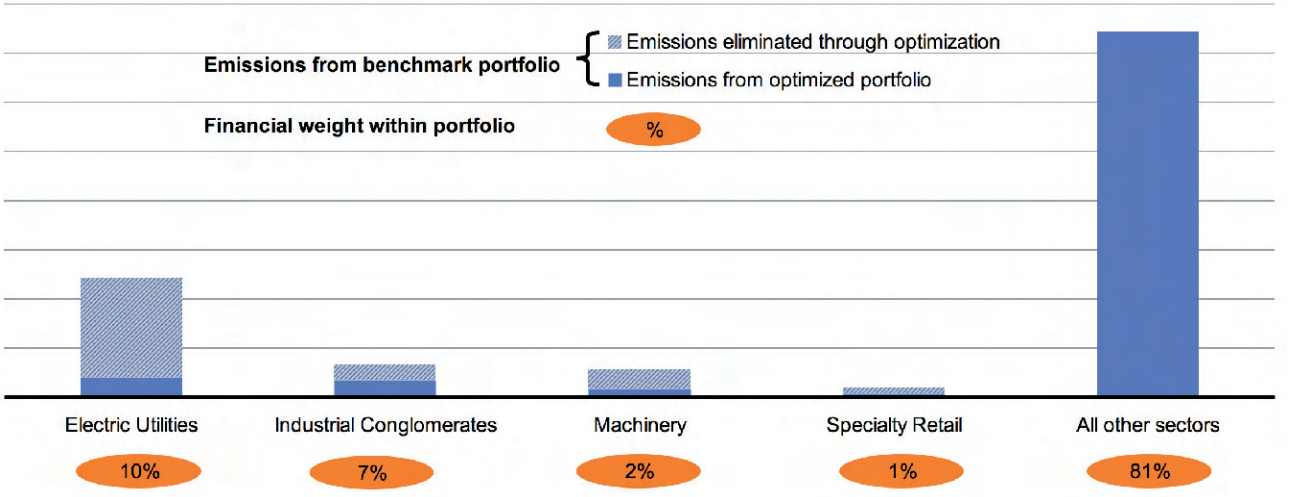
Using this method, asset managers may choose to orient their portfolios towards less carbon-intensive sector:
• either by turning away from the most carbon-intensive industries (oil, automotive industry, etc.) so as to avoid the companies most directly affected by climate issues;
• or by focusing their portfolios on cleantech firms (renewable energy, climate-friendly materials, energy-saving technology, etc.) in order to put their bets on the coming industrial revolution.
This approach may help to reduce the portfolio's carbon intensity by more than 90%[17]. In either case, however, this sector-based focus will result in a heightened risk profile. Moreover, any investment in cleantechs will produce a concentration in small caps and private equities, so a narrowly targeted financial analysis of the relevant markets and technology will be needed.

On the other hand, some investors will choose to target those industries that are most carbon-intensive, such as oil and automotive industry, and select the firms within those clusters that are best equipped to address climate issues[18]. In this case, any measurement of the carbon footprint should be supplemented with a detailed financial analysis. The fact is that a high relative carbon intensity does not necessarily translate into greater exposure to climate risk. For example, manufacturers of high-end cars are more carbon-intensive (see page 5) but have greater latitude than their competitors for passing on costs to consumers[19].

Finally, investors who wish to minimize their exposure to climate risk without undoing their portfolio allocation by industry will favour a policy of optimization. In practical terms, they will select the least carbon-intensive companies within the most carbon-intensive industries. Testing on an average share portfolio indicate that its carbon intensity can be reduced by at least 35%[20]. Moreover, since the asset classes that pose the least risk (government bonds and lending assets in particular) also turn out to be the least carbon-intensive (see page 5), asset managers have the opportunity to create a savings product that is both climate-friendly and low in financial risk, and consequently available to the mass retail market.

GRAPH 1: OPTIMIZATION WITH SECTOR NEUTRALITY: -35%

Source: Centre Info



[17]The calculation method in current use does not take into account emissions that are "avoided" (through the substitution of renewable energy sources) ; consequently, the actual reduction may be even higher.
[18]See in particular the approach taken by the SGI Global Carbon index, developed using the envIMPACT methodology from Centre Info, which focuses on the least carbon-intensive companies from the most carbon-intensive industries.
[19]Transparency issues with the ACEA agreement, SAM/WRI, 2005
[20]In this example, only four business sectors, representing 19% of the outstanding portfolio, have been optimized. The rate of 35% can be improved by using a larger number of sectors.

IMPLICATIONS FOR CONSUMERS

The introduction of carbon labeling on savings products coincides with a boom in CO_2 labeling on consumer products. Although there remain only limited bases of comparison between these two segments, labeling on savings products nonetheless offers green consumers a new form of leverage in reducing their carbon footprint.

THE BOOM IN CARBON LABELING

When the Caisse d'Epargne announced in June 2007 that it intended to label its products for individuals, carbon labeling initiatives for "complex" products were still in their infancy.
• In Europe, the energy/CO_2 label required by law had for several years been applicable to emissions from the use of electrical appliances and vehicles (Image 1).
• With regard to supply chain emissions, Tesco (UK) had announced its intention to publish emissions for 70,000 products. This initiative was followed by a number of pilot projects involving food products coordinated by Britain's Carbon Trust agency (Image 2).

Since the announcement by the Caisse d'Epargne, this trend has accelerated, especially among French retailers:
• Casino (food retail) has followed Tesco's lead, with labels expected soon on its own-brand products.
• As part of the Environment Grenelle, the French government announced that all products must display their "environmental cost" by 2011;
• Since May 2008, two Leclerc supermarkets in Northern France have been testing CO_2 labeling on 17,000 products[21] (Image 3), while Castorama (DIY) has launched a nationwide multi-criteria labeling campaign for two product families (Image 4).
• In addition, a tax component has been added to CO_2 labeling with the introduction of an incentive/disincentive programme attached to vehicle CO_2 labels, which began on January 1st 2008. This has boosted sales of fuel-efficient vehicles by 45% and led to a 40% drop in sales of more gas-guzzling cars. Capitalizing on this momentum, the government has announced that the policy will be extended to 20 additional product groups beginning in 2009.

Up until June 2008, the banking world stood somewhat apart from this trend. In April the British bank Halifax labeled its Web Saver account, but excluded emissions generated by the use of the funds! Thus, by adopting CO_2 labeling for 80% of the savings products it sells, the Caisse d'Epargne is encouraging other banks to move in this direction as well.

HOW IS IT USEFUL TO GREEN CONSUMERS?

For consumers who wish to reduce their impact on climate change, it should first be noted that the emissions generated by savings are comparable in volume to those incurred in routine spending: an investment of 10,000 euros in a standard balanced fund is responsible for 2.2 metric tons of CO_2 annually, as much as the annual use of a car or a flight from Paris to New York City. However, this comparison can only be extended so far.

This is partly because, in terms of the economy, the emissions induced by investments (companies funded, loans extended, etc.) overlap with emissions attributed to expenditures (products purchased from companies, the use of goods financed by loans, etc.). Thus, adding the emissions generated by spending to those generated by savings amounts to counting the same emissions twice.

In addition, the consumer's influence over emissions varies:
• The decision to purchase a more fuel-efficient vehicle will directly reduce CO_2 emissions during its use.
• The decision to eat chicken rather than beef (which requires more energy to raise) will cut emissions more indirectly, by reducing demand for beef and, by extension, for beef production over time.
• In the case of savings products, the consumer's influence is even more diffuse. The decision to finance renewable energy sources (or to reduce funding for fossil fuels) will lead to actual emissions reductions only under certain conditions. For example, a deliberate investment in solar energy will prove profitable only if it helps to reduce the cost of producing solar energy to make it more competitive with fossil fuels. External factors, such as regulatory changes, may affect this balance.
Therefore, although the absolute value of the emissions induced can indicate the scope of the phenomena in question, it cannot be compared to routine expenses.

By contrast, a comparison among savings products does make sense and prompts a second observation: the variation of carbon intensity between savings products is comparable to what we might find between two cars. When labels are applied to savings products, green consumers gain a new form of leverage for reducing their impact on the climate.

[21] View the results of the campaign at www.jeconomisemaplanete.fr

IMAGE 1: AUTOMOBILE CO_2 LABEL

IMAGE 2: CO_2 LABEL FOR WASHING POWDER SOLD AT TESCO (UK)

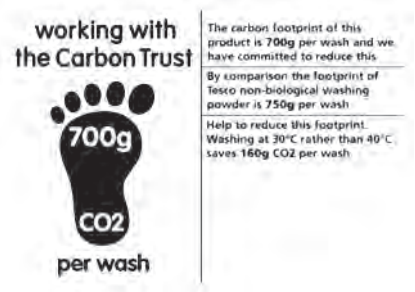


IMAGE 3: CO_2 SHELF DISPLAY AT E.LECLERC

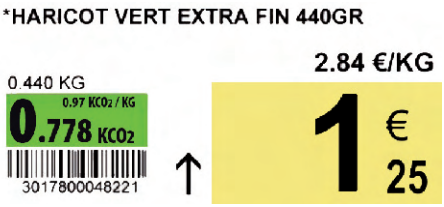
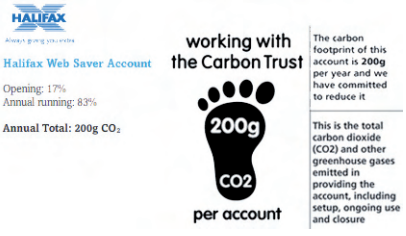


IMAGE 4: MULTI-CRITERIA LABEL IN THE CASTORAMA CATALOGUE

IMAGE 5: CO_2 LABEL FOR ONLINE BANKING ACCOUNT AT HALIFAX (UK)



HOW CAN THE LABEL HELP YOU CHOOSE A SAVINGS PRODUCT?

As Image 6 shows, the label applied to Caisse d'Epargne savings products includes several criteria (see a description on page 2). Customers can use these criteria to choose the product that best matches their commitment and financial needs. For example, they may prefer products that finance renewable forms of energy or that exclude more energy-intensive sectors (oil, etc.), in order to encourage the emergence of new industries. Such products will have the highest possible Climate rating. They may also choose SRI equity funds (i.e., funds that choose the best-in-class companies in each business sector), as a means of spurring further progress by major corporations. Such a product will have the maximum Responsibility rating[22], but its Climate rating will be 3 or 4, since it will include industrial sectors that by their nature are carbon-intensive. The most sensible option will ultimately be the result of a trade-off that should take into account the saver's financial situation and needs (liquidity, yield, etc.).
In this context, the advice of a banking representative will be needed, since the label is primarily intended to aid discussion before any decision is made.

[22]The label's Responsibility rating reflects the degree to which social and environmental criteria have been used to select the activities that will be financed with the money invested. A stringent SRI fund will receive a very high rating on this criterion.

IMAGE 6: MULTI-CRITERIA LABEL ON CAISSE D'EPARGNE SALES MATERIALS

Yoga gives preference to investments that meet criteria for financial return, but also weighs criteria relating to ethics and the public interest.
The money you pay in to Yoga is invested primarily in French bonds and in business sectors that generate low levels of greenhouse gas.
For each 10,000 euros invested by the saver, 2.2 metric tons of greenhouse gas are emitted each year.

In June 2007, the Groupe Caisse d'Epargne announced its intention to inform its customers about the carbon footprint associated with their savings, by means of a label applied to all the bank's products. After a yearlong study conducted in collaboration with a stakeholder panel (see below), the label can now be found on sales materials available in each of the bank's branches. This report outlines the major principles used to calculate the carbon footprint of customer's savings, the main results from the assessment of the bank's savings products and the implications for asset managers and consumers alike.

This report was prepared by the consultancy **Utopies** and by the **Groupe Caisse d'Epargne**, which jointly developed the labeling methodology, and by **Centre Info**, which provided corporate carbon footprint data.

"In the wake of France's Environmental Grenelle, environmental labeling for products and services is likely to become more widespread. Sustainability labeling for banking products represents a pilot initiative, so ADEME has lent its voice to discussions of the methodological issues at stake so as to benefit the entire industry."
ADEME

"We agreed to help develop the Caisse d'Epargne's labeling methodology because it's extremely innovative. The challenge now will be to encourage consumers to use it, to train the bank's workforce in how to incorporate it into their practices and to extend it to the entire world of banking. We'll be watching it closely."
Friends of the Earth - France

"We're pleased with the initial results from this sustainability labeling programme. In our view, the financial risk rating given to savings products truly enhances the information provided to consumers. We will be paying close attention to how the methodology is applied and to the initiatives we expect to see from other institutions in terms of providing responsible information."
Testé pour Vous

"The WWF is excited to see the considerable progress being made in green labeling. This innovation helps to inform customers in a way that's essential for encouraging the move towards more sustainable lifestyles."
WWF