

# French insurances, guaranteed emissions ?

Executive summary

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# I. Framework

Friends of the Earth France's campaign to reform public financial institutions (World Bank, European Investment Bank, Coface) started in 1996. The campaign widened to private financial organisations in 2005. In 2007, Friends of the Earth France published their report *French banks, fossil banks?* (1), the first widely published study about the policies of French banks regarding climate change and energy issues. This current study, published to coincide with the United Nations Conference on Climate Change at Poznan (Poland), continues this work into another important area of private financial organizations: French insurance companies.

## 1. The climate urgency

Global climate change is one of the most important challenges facing the planet. It directly threatens the way of life, income sources and security of people around the world. If the current trends continue, average global temperatures could increase by up to 6.4 °C by 2100 according to the IPCC (2), having devastating and irreversible impacts for the planet and its inhabitants.

In order to avoid the most dangerous impacts of climate change, average world temperatures must not increase above 2°C compared to pre-industrial levels. To stay within this limit, the world emissions of GreenHouse Gases (GHG) must be reduced by 50 to 85 % between now and 2050 compared to emissions in 1990. In the industrialized countries, the most important polluters to date, according to the IPCC, emissions must be reduced by 80 to 95 % by 2050 and by 25 to 40 % by 2020, compared to 1990 emission levels.

The *Stern Review* (3), published in 2006, considers « *climate change as the greatest failing of the market economy as the current producers of climate change gases pay nothing compared to the disproportional damage that others will suffer* ». The report prices an action plan at 1% of world GDP, with the price of inaction at 20 % of world GDP, from now and for the years to come.

The challenge is so great that all parties must act: governments, companies, local authorities, individuals. It is essential to rapidly and profoundly change our way of producing and consuming, in favor of sobriety, energy efficiency, as well as renewable energies, in order to solve the challenges we face.

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1/ *French banks, fossil banks ?*, Friends of the Earth France, March 2007

2/ Intergovernmental Panel on Climate Change (United Nations). See the *Summary for policymakers*, IPCC, February 2007

3/ *The Stern review on the Economics of Climate Change*, HM Treasury, October 2006

**Friends of the Earth France** is an NGO that acts to protect human beings and the environment. Launched in 1970, it has contributed to the creation of an ecological movement in France and the creation of the world's largest environmental network, Friends of the Earth International, present in 72 countries with over two million members. Friends of the Earth France lobbies economic and political decision makers and inform the general public about environmental issues. The network in France is based on 29 local groups.

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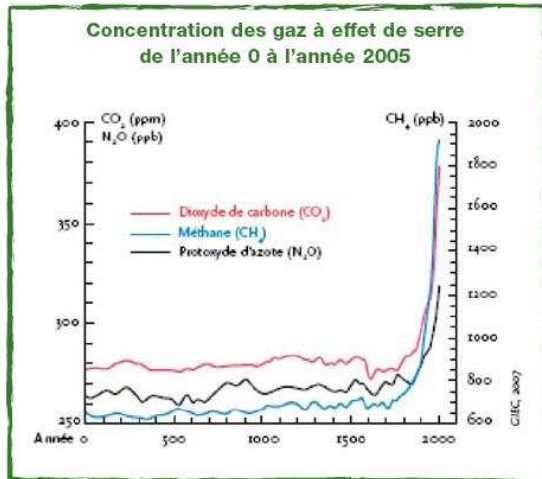
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Concentration of GHG from 0 to 2005 (IPCC)



Source : GIEC, 2007

**2. Climate change : insurance at the forefront**

The insurance sector is of primary economic importance, because of its size (195 billion euros of revenues in 2007)(4), as well as its omnipresence in the economic framework via the millions of insurance policies underwritten every year with a multitude of customers, and its role as a financial actor through the investment of its shares.

**How does climate change affect the insurance companies?**

The studies regarding climate and insurance have the same conclusions (5): **climate change is the greatest strategic risk for the insurance sector**. The impacts of climate change affect all branches of the insurance business, from the conception of their products to the management of capital and shares, via the evaluation of risks and therefore of policy pricing according to the legal framework for the sector.

The increase in natural catastrophes linked to climate change has an impact on the core of the insurance business: risk assessment. According to Torsten Jeworrek, member of the governing board of Munich Re, the German reinsurance giant, « 2008 complies with a long-term trend of a multiplication of meteorological catastrophes, a trend linked to a warming climate » (6). This increase in insurance risk due to the increase in the frequency and intensity of extreme climatic events is all the more worrying as 40 % of damages insured are due to natural disasters, according to the German insurer Allianz (7). Looking exclusively at the financial section of insurance, the risk is just as important. Accordingly, KPMG **places this financial sector in the « danger zone » in relation to**

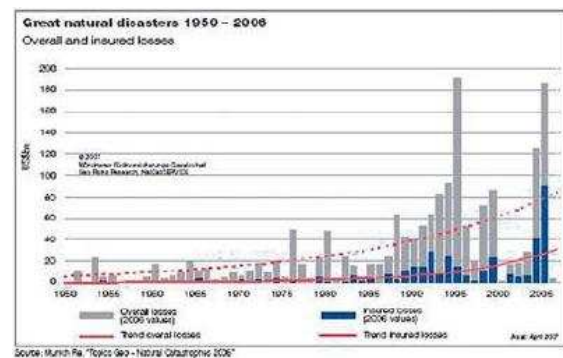
**climate change** (8). The study specifies that this sector, with five others, performs poorly in terms of anticipation and its capacity to face up to the risks generated by the phenomenon. The insurers therefore have an obligation to take on board its importance in their risk assessment models and more widely in their overall economic models, in order to rapidly and intelligently adapt their business models.

**The responsibility of insurers regarding climate change**

It is essential that insurers recognize, as should all actors in a society, their responsibility regarding current climate change. Insurance is a key sector, without which the current economy cannot function. This importance is due to two central activities of insurers, namely the issuing of insurance policies and the management of assets portfolios. Insurers therefore have a vast potential to incite behavior change via the insurance policies that they issue and equally by the investment choices made regarding Greenhouse gas emissions.

**How to act?**

The first reaction observed amongst insurers is to attempt to reduce the risks as much as possible. Concretely this should include a number of actions such as the prevention of natural disasters, but also a rethinking of what can generally be insured. But this approach will not be enough. The best risk for insurers is the one that does not occur, so an overall aim for insurers is to contribute to the reduction of climate change and notably Greenhouse gases emissions.



4/ Assurance en France, Xerfi700, March 2008  
 5/ See Strategic Business Risk Insurance 2008 - The top 10 risks for business, Ernst & Young, 2008  
 In the front line : The insurance industry's response to climate change, F&C Investments, 2007  
 From Risk to Opportunity : 2007 - Insurer Responses to Climate Change, CERES - Evan Mills, November 2007  
 6/ Catastrophes naturelles : déjà 50 milliards de dollars de dégâts en 2008, Les Echos, July 10th, 2008  
 7/ Building a sustainable future - Sustainable Development Summary Report 2008, Allianz, 2008  
 8/ Climate Changes your Business, KPMG, 2008

### Be proactive regarding regulations

As clearly shows the review of the CO2 market quotas planned by the European Union at the end of 2008, the regulatory framework imposed on companies will tend to be considerably strengthened. A similar example in France is the vote in July 2008 of an Environmental Responsibility Law and the adoption of the « polluter - payer » principle, or some laws that are being prepared as part of the « Grenelle de l'Environnement ».

It is possible for proactive companies to see climate change as a challenge or even an opportunity to gain a competitive advantage. This is the analysis of Chris Walker of the Swiss reinsurance giant Swiss Re : « *Climate Change is a reality and regulation policy is both necessary and inevitable. If you bear this in mind, as a company we have the possibility to provide solutions [...] Because if we wait 5 to 10 years, we will be confronted to a need of change way more drastic and difficult* » (9).

The insurers have every reason to pre-empt the inevitable climate regulation that will come.

### A growing reputational risk

« *The reputation of insurers is an important factor in the protection of capital invested in a company, so sustainability is part of this reputational capital* » (10). The pressure from concerned stakeholders (notably NGOs) and the expectations of consumers are growing and are more and more precise regarding the environment and above all, the climate. As for private banks, insurers will increasingly be held responsible for their insurance products and their asset management. The current financial crisis undermines the credibility of private financial organizations. This situation encourages consumers to look more closely at how their money is invested.

NGOs are not any more the only stakeholders interested by these issues: trade unions and shareholders are increasingly involved, for example drafting resolutions regarding climate change and energy issues. Recently Exxon Mobile and its founder and shareholder Rockefeller were in conflict as the latter demanded Exxon to invest heavily in renewable energies (11).

## 3. The aims of this study

The study has three aims :

- analyze the inclusion (or absence of) of climate issues in the policies of French insurers ;
- help make known the best practices in the sector in France and internationally;
- make recommendations regarding climate and energy policies for insurers and other stakeholders (public decision makers, etc.).

## 4. Methodology

### The scope of the study

The insurers have been selected according to two criteria: their size (revenues in 2006) and their structure type (insurance company, mutual or bankinsurer).

*Structure type and name of the company (insurance companies, mutuals, bankinsurers) / Revenues 2006 (in billion euros)*

Type de structure et nom de l'entreprise	CA 2006 (en milliards d'euros)
<b>Sociétés d'assurance</b>	
AXA France	78,8
Generali France	64,5
Aviva France	61,2
CNP Assurances	32
AGF	18,6
<b>Mutuelles d'assurance</b>	
Groupama-GAN	14,2
La Mondiale	5,5
MMA	5,2
MACIF	4,7
MAIF	2,6
<b>Bancassureurs</b>	
Crédit Agricole-LCL	29,2
BNP Paribas	27,9
Société Générale	22,4
Crédit Mutuel-CIC	10,8
Natixis	7,3

### Evaluation process

The production of this report consisted of the seven following steps:

1. Research of information about the climate policies of the insurance sector;
2. Meetings with 14 of 15 selected insurers (MMA did not even respond to our requests);
3. Analysis of information published by the companies;
4. Questionnaire sent out to insurers;
5. Analysis of answers and other contacts by e-mail if further clarification required;
6. Sending of analysis to 15 insurers for their opinion (12 returns);
7. Finalization of the study and recommendations.

### System and scale for notation

The ten criteria selected by Friends of the Earth France are given a grade from 0 to 4, based on a specific scale.

9/ *From Risk to Opportunity : 2007 – Insurers response to climate change*, CERES - Evan Mills, November 2007

10/ *L'assurance durable*, UNEP FI, 2007

11/ *Les héritiers de Rockefeller demandent à Exxon d'en finir avec son refus des énergies vertes*, Le Monde, May 30th, 2008

This notation is progressive and goes from 0 (no action regarding climate for the criteria in question) to 4 (conformity with the best global practices or those recommended by Friends of the Earth France).

### Methodological choices

A number of choices were made:

- It was decided not to give an overall notation by company, as the activities of insurers are too broad;
- The study focuses on efforts to reduce climate change (reduction of Greenhouse Gas emissions), and not on the adaptation to climate change: the management of natural disasters in France is already dealt with by French legislation;
- The direct emissions due to the financial sectors are small compared to the emissions induced by their investments (less than 1 % in the banking sector according to numerous estimations) and are therefore not directly covered in this study ;
- Regarding asset management, and specifically Socially Responsible Investment (SRI), the study is restricted to the climate issues. This does not belittle the importance of other environmental, social and governance issues regarding asset management;
- The study does not deal with Carbon trading. Friends of the Earth France is skeptical about the capacity of an international carbon trading market to tackle climate change, even more so in light of the ongoing financial debacle which has shown the markets unreliability (subprimes crisis).

The study focuses instead on a less risky and more promising approach: analyze and recommend methods to reduce Greenhouse gas emissions and energy consumption via different insurance sector activities.

## The structure of the study

### Axis 1: General policy to combat climate change

Criteria 1: Existence and pertinence of an integrated general policy on climate change.

Criteria 2: Information of employees on climate issues.

Criteria 3: Training of employees on climate issues.

### Axis 2: Integration of climate issues in insurance products

Criteria 4: Integration of climate issues in car insurance products

Criteria 5: Integration of climate issues in housing insurance issues

### Axis 3: Integration of climate issues in asset management

Criteria 6: Calculation and method to calculate the induced/financed emissions due to assets portfolio

Criteria 7: Reduction objectives of induced/financed emissions

Criteria 8: Integration of climate issues in Best in Class policies

Criteria 9: Integration of climate issues in shareholder activism policies

Criteria 10: Integration of climate issues in sectoral policies on reduction or exclusion.



## II. Evaluation of French insurances

### Axis 1 : General policy to combat climate change

#### Criteria 1. Existence and pertinence of an integrated general policy on climate change.

To date no French insurer has a complete general policy on climate change. However there are important differences between the companies studied. Aviva and AXA are the only ones to state their responsibility regarding the increase in climate change, but they do not have fixed objectives in terms of a reduction of their induced impacts. On the other hand, the majority of insurance companies do not state of being aware of any responsibility as investors or as issuers of insurance products. Worse still, four companies have no guidelines at all regarding climate change (Generali, La Mondiale, MMA, Crédit Mutuel-CIC). In most cases there are merely punctual measures undertaken, that are far from representing an overall strategy.

#### Criteria 2. Information of employees on climate issues

This is the criteria that generated the most responses. CNP Assurances obtained (alone) the best notation; 10% of the profit-sharing depends on the participation to a quiz about, most notably, climate change. The notation given for this criteria is acceptable, even if there is room for improvement. However this is a relatively easy action to put in place, a first step, and it does not structurally change the insurance business. Awareness raising should not in any way be used as a barrier to more substantial changes (training, adapting insurance products, asset management strategies).

#### Criteria 3. Training of employees on climate issues

This criteria is essential to bring the insurance business on board with the battle against climate change. However there is clearly a lack of action, with an average of 0.5 out of 4. The majority of insurers do not have any training in place for their staff (8 insurers out of 15). The initiatives are generally not undertaken within the companies. Only AXA received a notation of 2 for the training carried out by the company, but which only covered a small part of the staff. Major improvements need to be made by the whole sector.



### Axis 2 : Integration of climate issues in insurance products

Axis 2 concerns the historic core of the insurance business. The study focuses on the automobile and housing insurance sectors : at the same time the two most important areas for insurers for « damages » and two of the most important sources of Greenhouse gases in France. It is therefore of major importance. There is above all a large scope for improvement in the automobile sector, and the insurers should strive for major improvements in this sector.

#### Criteria 4. Integration of climate issues in insurance products

On a positive note, the majority of companies propose products which include a climate change factor. This is due to the close link between a reduction in claims and more environmental vehicle choices. On the downside, the climate factor remains too marginal and any insurance company stand out in this field. There are good practices that should become commonplace, such as cheaper policies for low mileage as proposed by AGF and AXA, or for less polluting garages as offered by Groupama-GAN and MAIF. Unfortunately four companies, of which three are bankinsurers, have not taken any steps (MMA, BNP Paribas, Crédit Mutuel-CIC, Société Générale).

#### Criteria 5. Integration of climate issues in housing insurance issues

The issue of renewable energies is best covered for this criteria, but there remains nevertheless an important scope for improvement. MAIF, MACIF, AXA and Crédit Agricole have innovative products. Energy efficiency for housing is not at all dealt with by insurers for the moment. And except for Crédit Agricole-LCL, the bankinsurers have not taken into account this market segment.

Synthesis of notation of insurers by criteria (criteria from 1 to 10 mentioned on page 5) :

Synthèse de la notation des assurances par critère										
Panel d'assurances	politique générale			produits		gestion d'actifs				
	politique globale	sensibilisation	formation	produits auto	produits habitation	calcul émissions induites	objectifs de réduction	best in class	activisme actionnarial	réduction/exclusion
	1	2	3	4	5	6	7	8	9	10
AGF	2	1	1	0	2	0	0	2	0	0
Aviva	3	3	0	2	1	0	0	1	2	0
AXA	3	3	2	2	3	0	0	3	2	0
CNP Assurances	1	4	0	NA	NA	3	0	1	1	0
Generali	0	2	1	2	2	0	0	1	0	0
Groupama-Gan	1	1	1	2	2	0	0	3	0	0
La Mondiale	0	0	1	NA	NA	0	0	0	0	0
MACIF	2	2	0	2	3	1	0	2	1	0
MAIF	2	3	0	1	3	0	0	0	0	0
MMA	0	0	0	0	0	0	0	0	0	0
BNP Paribas	1	2	0	0	1	0	0	1	0	0
Crédit Agricole - LCL	2	2	1	2	3	0	0	1	0	0
Crédit Mutuel - CIC	0	1	0	0	1	0	0	1	0	0
Natixis	1	2	1	1	0	0	0	2	0	0
Société Générale	2	3	0	0	0	0	0	1	1	0
Moyenne par critère	1,3	1,9	0,5	1,1	1,6	0,3	0,0	1,3	0,5	0,0

(Notes de 0 à 4 ; NA = Non Applicable)

Scores from 0 to 4 ; NA = Non Applicable

### Calculation of the emissions induced by the assets in portfolio managed by French assurers

*"Through the investments they do [...], insurers play a key role in the financing of the economy, and more particularly in the financing of companies."*

French Federation of Insurance Companies, 2007 annual report

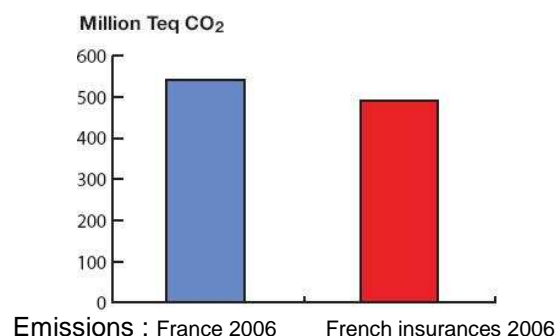
French insurers manage a stock valued at €1402 billion at the end of 2006 (12). For comparison this is the equivalent to 78 % of the GDP of France in 2006 (13). Friends of the Earth France have calculated the emissions induced by this assets portfolio based on the allocation of investments published by the French Federation of Insurance Companies, and on emission factors calculated for retail products in the methodology Caisse d'Epargne – Centre Info – Utopies.

**The result is that, in 2006, the emissions induced by the asset management of French insurers were the equivalent to 490 million tons of CO<sub>2</sub>, or 90 % of the total of French emissions in 2006.**

12/ *L'assurance française en 2007*, Fédération Française des Sociétés d'Assurances, 2008

13/ GDP of France in 2006 : 1807 Billion Euros. Source : INSEE

This enormous figure does not include the emissions due to the insurance products and it needs to be further evaluated. The calculation of the Greenhouse gases does not mean that the insurers are wholly responsible: it aims to give an idea of the scale. The adoption of a *Best in Class* climate approach, without even changing the sectorial spread of the portfolio, would reduce by a quarter the emissions induced, the equivalent to 126 million tons.



### **Axis 3 : Integration of climate issues in asset management**

#### **Criteria 6. Calculation and method to calculate the induced/financed emissions due to assets portfolio**

No insurer calculates the emissions due to its asset management, except for one SRI fund managed by MACIF (analyzed by Eiris) and above all CNP Assurances who benefits from the Caisse d'Epargne initiative (see below) which sells a number of its products. However this information is essential for managing assets portfolios in a way that takes into account climate change: it is the most urgent action, and could be based on the methodology already developed by the Caisse d'Epargne with Centre Info and Utopies, world leader in this field.

#### **Criteria 7. Reduction objectives of induced emissions**

Only CNP Assurances has a Carbon « notation » on some of its products, but the company does not have a fixed objective for a reduction of emissions induced by these products. None of the other insurers work on this important issue. Bearing in mind the need, according to the IPCC, to reduce by 2050 the emissions of the richest countries by 5 % per year and world emissions by about 3 % per year, the credibility of the climate and energy policies of the insurers is dubious, as they have no clear commitments regarding these targets.

#### **Criteria 8. Integration of climate issues in Best in Class policies**

As major investors, insurance companies should take into account climate change in investment choices. However the majority of insurers (10 out of 15) do not have a « Best in class » approach integrating climate change: this overall approach is not, in any case, sufficient to address the specific issues relating to the climate crisis. AGF, MACIF and Natixis have specifically included questions related to climate change in a niche of their investments. And AXA and Groupama have a similar dynamic and have announced the objective of mainstreaming (though rather vague, without figures) this approach to all their portfolios. Generally, it is difficult to obtain precise information as the climate component is buried amongst numerous Environmental, Social and Governance issues. Even if a global approach is very important, it should not be an excuse for not providing specific information about a precise single element.

#### **Criteria 9. Integration of climate issues in shareholder activism policies**

Only a third of French insurers use their shareholder activism potential, despite the fact that they are powerful shareholders who could easily encourage a better governance of companies. Only Aviva and AXA go beyond a standard general activism (not including climate issues), and even that is limited.

The lack of results is surprising: the vast majority of companies studied are inactive in this area despite the fact that they could be a powerful force for a modification of company practices. Bearing in mind their financial importance as institutional investors (the companies reaffirm this themselves), there is no doubt that the adoption of proactive strategies by the insurers would have a decisive effect for encouraging companies to take onboard climate change issues.

#### **Calculation of induced emissions: The innovative methodology developed by Caisse d'Epargne, Centre Info and Utopies**

The Caisse d'Epargne, the consulting company Utopies and the experts in emissions calculation 'Centre Info' have developed a methodology, launched in June 2007, with the first results published in June 2008. The most important findings are:

- the classification of emissions by scope: 1 (direct emissions), 2 (indirect emissions) and 3 (prior and subsequent to the use of the product) according to the GHG Protocol, the international standard for calculating Greenhouse gas emissions. This enables the calculation of Greenhouse gas emissions for the lifecycle of a product. This is crucial;
- All the findings are published (14);
- It is based on the advice of a panel of independent stakeholders (ADEME, the official French energy agency, Friends of the Earth France, WWF France and Testé pour vous) ;
- The figures have been published for retail investment products. Insurance products will be covered in 2009;
- The methodology will require improvements which will be developed in an association opened to all banks and insurers as of 2009. Friends of the Earth France calls on the insurers to join this association.

14/ Climate labeling of products for personal customers, Caisse d'Epargne and Utopies, June 2008

## Criteria 10 : Integration of climate issues in sectorial policies on reduction or exclusion

No French insurer currently has a policy of reduction or exclusion of investments according to climate criteria. This policy would be totally compatible with a Best in Class approach and shareholder activism: if a company fails to take steps to reduce its emissions, the investor can reduce or withdraw its investments, which gives a real force to this approach. Moreover, the insurers can choose to reduce their investments in fossil fuel companies and thereby accelerate the necessary transition towards an economy based on renewable energies.

## Conclusion: overall analysis of the French insurers

According to their study, Friends of the Earth France draw the following conclusions:

- As major players in the current economy, affecting numerous sectors, the insurance companies should face up to the challenge presented by the climate crisis, a danger that they continue to ignore;

- None of the 15 insurance companies studied, based on ten criteria, have a complete approach that matches up to the scale of the climate threat. There clearly needs to be a bigger effort;

- As a whole, the insurance sector is nevertheless more open about climate change than the banking sector. Friends of the Earth France believes that rapid and important improvements are possible in the insurance sector ;

- Good practices exist for most of the criteria, which could be developed and generalized. The vast difference in the results between insurance companies shows that the adoption of good practices depends above all on the political will of the companies, which is lacking in many cases ;

- For the sectors of automobile and housing insurance, numerous products already exist but are too lightweight: the insurers should offer products that are more ambitious. The banksurers (except for Crédit Agricole-LCL) are behind for these sectors. Whether it's for the housing or automobile sector, the influence of insurance products on customer behavior is proven. The incorporation of climate issues in these products would also, on the whole, allow the assurer to reduce its risks;

- Taking into account the enormous sums handled by the insurers, their asset management is probably the best way for insurers to act against climate change. Transform asset management is in the opinion of Friends of the Earth France the overriding priority that needs to be addressed by the insurers. However, it is the area in which the French insurers have the worst results : the vast majority of insurers (10 out of 15) only make minimal efforts in this area, in particular the mutuals and the banksurers. The only real innovation is the method used to calculate the Greenhouse gas emissions induced by retail products, developed by the Caisse d'Epargne -- Centre Info – Utopies and which is partially used by CNP Assurances.

- Some criteria in this study will need to be developed with more in depth analyses, in particular for housing and automobile insurance products. We suggest the creation of a multisubject working group that could list and analyze in detail the totality of the insurance products on the market, for example based on the *Ecoprêts* (15) website set up by ADEME, the official French energy agency, with numerous stakeholders evaluating the ecological loans for housing and for automobiles to be developed by the banking sector. This work would help consumers be better informed regarding the ecological criteria of products on the market, so they can more easily take this information into account in their choices.

15/ <http://www.ademe.fr/ecoprets/>



## II. Best practices in France and internationally

Criteria	Company	Initiative
General policy on climate	AXA (France)	* Acknowledge the positive role that insurers can play to help their customers take into account their impacts on the climate and change their habits accordingly.
	Aviva (United kingdom)	* Acknowledge the role of the insurer to not only cover the damage due to disasters but also to anticipate them and help avoid them.
Information of employees on climate issues	CNP Assurances (France)	* 10 % of annual profit-sharing is based on the answers to a quiz on sustainability targeting all employees, and designed to sensitize them to climate change.
Training of employees on climate issues	AXA (France)	* Training of asset management business lines to climate change issues and declination in creation of products and in long term asset management.
Integration of climate issues in car insurance products	MACIF (France)	* The proposal "Clean and safe cars" offers a rate reduction to members of up to 35 % for « clean » and « safe » cars.
	General Motors Acceptance Corporation (USA)	* Ambitious innovative Pay As You Drive policy including 7 distinct categories (2 500 to 15 000 miles per year) offer reductions of between 13 to 54 %.
	Groupama - Gan (France)	* Actions to train drivers to be eco-responsible carried out in 12 training centers with 40 000 drivers per year.
	MAIF (France)	* The obligation for car repairers to use certain reparation clean techniques and to recycle parts in a way that goes well beyond legal requirements: in France 100% of parts are treated by professionals who respect ecological guidelines.
Integration of climate issues in housing insurance products	Lexington Insurance Company (USA)	* Lexington, an AIG subsidiary, launched in november 2007 an insurance product « Green Residential » allowing owners a rebuilding of their home after a sinister energy efficient and using ecomaterials.
	MAAF (France)	*The product "Pur Bonus Maison" gives a 40 € reduction on the housing insurance premium if energy saving work is undertaken (which benefit from a government tax break ).
Integration of climate issues in Best in Class policies	Storebrand (Norway)	* Policies for social responsibility, including the climate dimension, apply to all the funds and portfolios, covering both shares and bonds, in Norway and internationally.
	AXA (France)	* Integration of sustainable development issues in the decisions of « mainstream » asset managers, covering investment stocks that go well beyond those covered by SRI portfolios. An emphasis is placed on climate change, according to the investment sector, but also according to management strategy with the aim of identifying « winners » and « losers » of climate change, in order to protect the interests of investors and to encourage companies to invest more in line with the climate reality.
Integration of climate issues in shareholder activism policies	AXA (France) and Aviva (UK)	* Formal interpellation of companies that have not replied to the Carbon Disclosure Project.
	AXA (France)	* Beyond voting formalities, the managers of asset management subsidiaries are in permanent contact with company managers in which they have invested to ensure that environmental (notably climate), social and governmental issues are taken into account for the long-term vision of the company. This shareholder engagement is based on meetings between the analysts of the insurance companies and the company managers.
Integration of climate issues in sectoral policies on reduction or exclusion	Storebrand (Norway)	* Storebrand applies rules for the whole of its funds, including the exclusion of companies responsible for serious environmental damage as well as the 10% of companies that are the worst ranked in terms of company responsibility in the high risk sectors such as oil, gas and electricity production. This approach has led to the dropping of over 100 companies in the 3rd semester in 2008.
	The Government Pension Fund (Norway)	* The ethical guidelines for the Norwegian government's pension fund include a specific section outlining the criteria for the exclusion of certain companies. An ethical board made up of 5 people publish an annual report detailing its activities, with a list of companies excluded and the reason for this decision. Those companies that are especially harmful for the environment are on a banned list. The following companies are some of those excluded these last years: Rio Tinto, Vedanta Ressources, Wall-Mart, Freeport McMoran.

# IV. Friends of the Earth France recommendations

## Recommendations for stakeholders:

Note: The recommendations listed here are not exhaustive. They aim to remind insurers that although they have their own responsibilities, they are part of a complex system in which other actors have their part of responsibility. Friends of the Earth France demand:

### 1. To public authorities (French State and European Union)

>> Put in place a legal framework to make compulsory carbon labeling for all investment and insurance products based on a single method of calculation, including the totality of emissions produced to allow a genuine comparison of products. This action is compatible with the environmental labeling of products as adopted by the "Grenelle de l'Environnement". Additionally, the insurers should publish in detail the composition of their investment portfolio and list the companies that they have invested in;

>> Put in place a legal framework, based on a calculation of the emissions induced by the insurers, fixing targets for reducing these emissions in both relative and absolute terms, in line with the 'factor 4' objective in 2050. These targets should be progressively integrated into the climate negotiations in Europe and Internationally;

>> Reinforce the French law and launch a European directive requiring the publication of environmental and social impacts of EU companies (for all companies with more than 300 employees including public and cooperative companies ; define common indicators for all companies and precise sectorial indicators ; legal penalties if these regulations not adhered to) ;

>> More broadly, set up a legal framework which would enable the inclusion of carbon emissions and energy consumption in the criteria of private investment choices, via notably the creation of an energy tax, industrial and financial policies by sector, the reinforcement of the polluter-payer principle and financial incentive mechanisms for actions that will permit a major reduction in emissions.

### 2. To employees and trade unions

>> Training on climate change adapted to each business line, as well as the means to concretely apply this training on a daily basis;

>> Demand, within the company, the adoption of a climate change policy containing the four points outlined below.

### 3. To customers, individuals and the public

>> Ask for carbon labeling for investment and insurance products in order to be able to choose the most environmental products;

>> Ask for automobile and housing insurance companies that encourage more environmental practices by consumers (eco-driving training, purchase of less polluting cars (classes A and B), use of public transportation, choice of energy efficient housing (BBC label), installing renewable energy technologies, etc.).

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# Summary of recommendations to insurers

Friends of the Earth France recommend that insurers quickly adopt ambitious policies against climate change, structured in four points:

## 1. Calculate induced emissions and adopt reduction targets

>> This is THE priority. The calculation of the emissions induced by asset management and insurance products should be done for all products. The insurers could use the methodology developed by the Caisse d'Epargne, Centre Info and Utopies (with a Board of independent experts, such as the ADEME, the French official energy agency), very innovative and completely transparent. This methodology will be developed in 2009 via an association open to all insurances and banks: Friends of the Earth France strongly encourage all the insurers to join this initiative.

>> Based on the calculation of the CO2 emissions induced by their investments and their insurance products, the insurers should set ambitious objectives to reduce these emissions, according to a precise timeline, in line with the international scientific consensus (IPCC recommends reductions of Greenhouse gases by 2050 of 50 to 85 % in the world and 80 to 95 % for the richest countries, compared to 1990, i.e. -3 % per year).

## 2. Develop an asset management policy integrating explicit climate and energy criteria

The insurance companies have a major influence, as major institutional investors. Their asset management policy should have the following three points:

>>Invest according to a transparent Best in Class climate policy, by sector, for all assets held by the company;

>>Put in place a shareholder activism strategy, giving concrete objectives for companies to reduce their emissions (starting with the more important sectors and the companies that pollute the most);

>>Set out an investment strategy to reduce or even withdraw securities in portfolio according to climate and energy criteria. A strategy to reduce and exclude these investments is essential to giving shareholder activism credibility, and to avoid investing in false solutions to climate change (nuclear, biofuels, carbon capture and storage).

## 3. Develop more ambitious automobile and housing insurance products

Insurers have an important influence in these areas and can contribute to advancing the habits.

>>For the automobile sector, where there is the greatest leverage, this could be based on four incentives:

1. preferential policy prices for classes A and B vehicles, for low mileage policies and for public transport users ;
2. supplement for the most polluting cars (classes D and above) or those who do the most mileage ;
3. eco-driving training, giving rise to a better driving manner, both less polluting and reducing the probability of having an accident ;
4. adopt higher environmental criteria for registered garages.

>>For housing, three axes are required:

1. cover, without a supplement, renewable energy production and the use of ecomaterials ;
2. guarantee the production of renewable energy ;
3. put in place a system of favorable rates for the most energy efficient housing, based on the BBC label (Low Consumption Building) for both construction and renovation ;
4. for a home destroyed by disaster, strongly encourage a highly energetically efficient rebuild.

## 4. Adopt an overarching strategy on climate

An overarching strategy takes into account the following : acknowledgement by the insurer of its direct and induced impacts on the climate; fix, with figures and dates, objectives for reductions, global and by activity; widescale training programmes, to raise awareness and inform staff, for every business line; follow up and publish the effects of these measures.