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Socially Responsible Investments in Europe: road towards a more sustainable financial sector

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ABSTRACT

It is an undeniable truth that Socially Responsible Investments (SRI) are boosting in the current marketplace. Many companies, institutions and governments from all over the globe are starting to introduce Environmental, Social and Governance (ESG) principles into their investment decisions.

This study analyzes five European banking institutions that aim to become a benchmark in terms of responsible and sustainable management. Thus, the aim of this investigation is to show the state of the art of the SRI product offering and to understand their influence on sustainability progress.

With this purpose, an overview of five European banks is exhibited under homogenized frameworks, principles and areas, in order to avoid any confusion and unbiased comparison. Additionally, the corporations examined were scored regarding their ESG criteria approach in a self-developed matrix, with the goal of comparing under the same procedures the leadership of these companies.

The findings of this research show significant disparities when targeting these new market requirements, although there exists a converging trend towards a more sustainable financial model. In fact, at a European level, common standards and regulations are incentivizing the sustainability-linked products' demand, and countless possibilities are yet to be taken.

Keywords: *Sustainable and Responsible Investments, ESG criteria, sustainability, European Green Deal, Europe.*

TÍTULO	Inversiones Socialmente Responsables en Europa: el camino hacia un sector financiero más sostenible
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RESUMEN

Es innegable que las Inversiones Socialmente Responsables (SRI por sus siglas en inglés) están aumentando actualmente en el mercado. Cada vez más empresas, instituciones y gobiernos de todo el mundo están empezando a incorporar principios Ambientales, Sociales y de Gobierno (ASG) en sus decisiones de inversión.

Este estudio analiza cinco instituciones financieras europeas que pretenden convertirse en puntos referencia en términos de gestión responsable y sostenible. Por consiguiente, el propósito de esta investigación es presentar el estado de la cuestión en los productos SRI más innovadores y comprender su influencia en términos de desarrollo sostenible.

Con este objetivo, se expone un resumen de los cinco bancos europeos bajo marcos de referencia, principios, y áreas homogeneizadas; para evitar cualquier confusión y comparación imparcial. Además, las instituciones examinadas han sido calificadas en relación con su estrategia ASG en una matriz desarrollada específicamente para este trabajo, con la finalidad de comparar bajo los mismos procedimientos el liderazgo de estas empresas.

Los resultados del estudio muestran diferencias significativas a la hora de enfocar estos nuevos requisitos del mercado, aunque existe una tendencia convergente hacia un modelo financiero más sostenible. De hecho, a nivel europeo, las normas y regulaciones comunes están incentivando la demanda de productos sostenibles, e innumerables posibilidades están aún por descubrir.

Palabras clave: *Inversiones Socialmente Responsables, criterios ASG, sostenibilidad, Pacto Verde Europeo, Europa.*

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1. Introduction

Our ever more globalized and virtual world requires to design a contemporary configuration of investments, taking into serious consideration ethical and social issues most citizens are concerned about. Lately, these ethical goals have reached investors' morals, and actually, during the last decade the industry has also shown remarkable interest on non-financial concerns.

The fact that Socially Responsible Investments (SRI) are gaining momentum is an undeniable veracity. Many companies, institutions, and governments from all over the globe are starting to introduce Environmental, Social and Governance principles (ESG Criteria) into their decisions. Thus, it would be of interest to deepen on which particular methodologies and precise practices the most influential and determining European financial institutions are engaged in, how they certainly manage their sustainable assets, accurately report on their risks and progress, and avoid any greenwashing procedure.

The primary focus of this paper is on scrutinizing how leading banking institutions from different European countries target the aforementioned market demands and implement current ESG criteria into their products and services. These financial institutions aim to become a benchmark in terms of responsible management, although their approach is significantly dispair. To accommodate any potential inaccuracies in reporting details, an overview from the different corporations is exhibited under homogenized frameworks and principles.

It is also the purpose of the present paper to provide a comprehensive view on the current European marketplace for SRI, taking into consideration volume of the assets, current policies and legal frameworks, and the most attractive strategies investors follow.

Therefore, a comparative analysis will be executed on the different areas by examining the various SRI products and their disclosure of information. This research is of high importance to the major stakeholders who demand additional Socially Responsible Investment options rather than the exclusive and traditional financial perspective.

This work is divided into five main sections. Section 1 reviews a synthesized definition for SRI. Section 2 provides an updated "status-quo" of the SRI in Europe. Section 3 discusses the chosen methodology and the research design. Section 4 sets out the most determining results while Section 5 discusses and draws the main conclusions.

2. What is Responsible and Sustainable Investment (SRI)?

Over the past years, the definition of the SRI market segment where investors are engaged with socially responsible principles has been heatedly debated. Since each author articulate it under its particular focus, there have been major difficulties to agree upon clear guidelines and taxonomy [1].

In this context, the common understanding basis of SRI covers multiple investment screens that incorporate environmental, social and governance (ESG) concerns in conformity with a variety of sustainability principles. Some core international institutions such as the International Monetary Fund (IMF) highlight the large array of these ESG factors in both borrowers and investors that not only applies to investment outcomes, but also extends to business decisions, economic development and policy strategies [2]. Other organizations such as the United Nations focus on the harmonization of economic growth, social inclusion or environmental protection as elements that have a direct impact on humans' well-being [3].

Considering the above, the practice of incorporating environmental, social and governance goals into investment decisions makes a clear distinction from the traditional financial perspective. It goes far beyond the essential investment strategy by adding concerns about the impact on the environment, ethical or social change to the traditional strategy based almost exclusively on risk and returns as determinants of the equity portfolio construction [4]. Therefore, some additional notions may be taken into account when considering an ESG strategy: integration, values and impact [5].

Eventually, with the purpose of homogenizing principles at a European level, the Eurosif's Board defined SRI as a *"long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long term returns for investors, and to benefit society by influencing the behavior of companies"* [1]. Henceforth, this definition will be taken as principal.

2.1. Historical transformation

Although for the last couple of decades SRI has gained momentum, the overall idea of social or ethical investing appears to go back as far as thousands of years. The earliest proof possibly dates back to ethical investments following Jewish doctrine, which recognized unnecessarily waste of natural resources and deceitful procedures [6]. Later on, the practices and orientation had evolved under the influence of the Catholic Church, following the Cristian moral principles. In the XX century, the American Pioneer Found Group declined investments in companies engaged in alcohol or tobacco (1928). In 1971, The Pax World Fund refused to invest in businesses involved in armaments, alcohol and gambling [7].

Nowadays, our interpretation of ethics and social issues has evolved, together with the Social Responsibility movement. The recent growth of SRI may be attributable to several factors such as controversial advertising and greater media exposure, development of business ethics, growing investor concerns and relatively similar financial returns to traditional funds. Moreover, nowadays, multiple guidelines, principles, and other legal frameworks to guide investors exist [7].

However, some authors regard SRI as complex and unclear due to the heterogeneity in both the interpretation and the strategies [8]. The aforementioned dilemma of integrating non-financial responsibilities within investments is in fact conquered to individual variations in cultural, religious or even terminological factors [7]. In this later consideration, investors' moral principles are subjective assumptions and non-universal parameters. Hence, common frameworks and appropriate methodologies may well bring transparency and accurate information. Actually, the need of transparency and alignment on SRI has led the EU to provide an "Action Plan" towards Sustainable Finance Disclosure Regulation (SFDR), ensuring convenient and precise information is disclosed both qualitatively (references, conduct rules, etc.) and quantitatively [9].

2.2. Global status quo

Europe has been focusing on the importance and implementation of SRI for years. Actually, the leading European association for the promotion and advancement of sustainable and responsible investment across Europe (Eurosif[1]) has been advocating against SRI misconceptions and has developed a common taxonomy with the aim of ensuring further growth and positive influence on investors [1].

As a result, Europe was the leading region in terms of SRI in 2018, holding over a 46% of "sustainable" assets globally (see appendix: figure 1) [10]. However, it must be noted that the European market showed evident indicators of consolidation, while other regions grew at a faster pace for the period 2014-2018 (see appendix: figure 2) [1].

In the United States, the expansion of ESG investing in the last few years is remarkable, with a 16% CAGR[2] for 2014-2018 time span [1]. This substantial rise is due to the growing awareness about environmental concerns, the belief that SRI can minimalize risks and even the improvement of financial performance. According to the GSIR[3] alliance report, access to sustainable investment has increased tremendously. Firms have increased their offer across asset classes, not only in funds but also in other investment vehicles, including those suitable for retail investors [10].

Regarding Asia (including Australia), sustainable investing is not as popular as in the European economies. Notwithstanding, since 2003, SRI has been gaining a firm foothold in several Asian markets, in particular Japan [11]. This "Asia fall-behind" may be explained by the dominant traditional views that investors have in these countries, perceiving ESG as an auxiliary activity that hampers financial performance, hindering the results of company. Nonetheless, ESG is no longer a fad, and currently it is a must for most companies. This changing of behavior has been seen over the last years since private equity investors in Southwest Asia are shifting their investments from primary industries (gas and oil) to renewable energy and other sustainable projects [12].

In summary, in Europe sustainability-linked investing is more common and shows an explicit advantage against other regions of the globe. However, a converging trend may be observed, since there are more Asian stock exchanges that require as mandatory to report ESG investments to their listed companies, while the Americas have increased their offer.

[1] www.eurosif.org
[2] Compound Annual Growth Rate
[3] Global Sustainable Investment Review

3. SRI in Europe

As aforementioned, Europe managed almost half of the total global sustainable investing assets in 2018. Ever since, the European SRI market has continued to rise gradually, contemplating the slowdown of the COVID-19 crisis. Latest information on the topic clarifies that the number of stakeholders has climbed significantly, including contractors, non-governmental organizations and research firms who are involved in the scrutinization of the businesses' ESG behaviors [13]. Moreover, some authors strongly believe that the current pandemic is concerning investors towards SRI and will foster a low-carbon economy, based on sustainability and inclusion [14].

It is also important to highlight that, over time, the market has nearly doubled in value, from 251 billion euros in 2010 to 476 billion euros in 2016, and the number of SRI funds also rose (with the majority domiciled in Luxembourg and France) [15]. Nevertheless, there are signs that suggest that the market is maturing, and the overall share of sustainable investing assets is growing now at a modest pace, partially attributable to a more rigid legal framework [10]. In the following sections, the broad range of SRI strategies employed in Europe will be detailed, as well as the latest updates on policies and regulations.

3.1. Main SRI strategies

SRI investments frequently employ more than one strategy at a time. In fact, the market is becoming significantly diversified in terms of screenings and approaches, and there currently exists a broad categorization in Europe. To fully understand the SRI concept it is key to acknowledge its main investment strategies, explained below:

- <u>Negative/exclusionary screening:</u> it is the most popular strategy across the continent, which has suffered an exponential growth over the last decade. It is based upon excluding certain firms or entire sectors which engage in controversial activities (i.e. cluster munition production, tobacco, etc.) from the investment portfolio, and shall be applied both to single products or entire ranges of assets. Switzerland leads the ranking in this area [2].
- <u>Positive/best in class screening:</u> it has grown on the European market [15]. It allow investors to select sectors, companies, or projects based on positive ESG

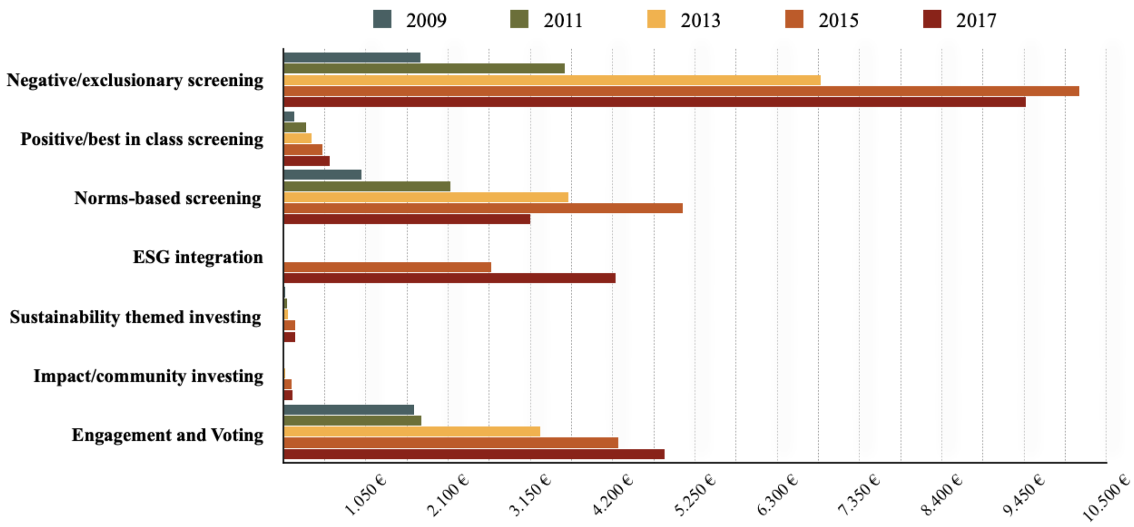
performance relative to industry peers. Likewise, investors may choose their particular criteria, that will weigh the final score [1]. Thus, this strategy targets the most outstanding companies in meeting ESG criteria, being France the leader in this area [15].

- Norms-based screening: it is another procedure in which stakeholders point to specific companies that follow international standards or policies that are set through global organizations such as the OECD or the UN [10]. The standards focus on areas such as environmental protection, human rights, labour ethics and anti-corruption principles. This strategy has recently dropped in Europe, being France the leader in this area [1].
- ESG integration: consists of considering information regarding ESG factors when making investments. The research is based on environmental (i.e. climate risk), social (i.e. labour issues) and governance (i.e. corporate behavior) factors [2]. Although ESG integration experienced the greatest growth from 2015 to 2017 out of all approaches, it must be noted the considerable difficulty this strategy entails, specifically with the systematic and explicit inclusion by investment managers of ESG factors into financial analysis [10].
- Sustainability themed investing: invests into companies and organizations with the intention to generate measurable environmental impact for the preservation of the natural environment [15]. This strategy admits a selection of assets related to sustainability (i.e. clean energy, green technology, etc.), allowing investors to decide upon a particular area. Lately, investors have shifted their focus towards climate change and water saving (see appendix: figure 3), although the growth in Europe is rather uneven [1]. Italy and The Netherlands lead the ranking in this strategy [2].
- Impact/community investing: strategy that targets investments *"aimed at solving social or environmental problems, and including community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose"* [10]. According to Statista, the most popular impact investing areas in the past five years have been sustainable agriculture, clean technology, microfinance and affordable housing [15], being Italy and Denmark the leaders in this area [1].

- Corporate engagement and voting: this strategy and the Norms-based screening are the second most extended strategies after the exclusions. Investors take active participation on Corporate Social Responsibility issues and constantly monitors the companies they invest and engage into their management [1]. Thus, shareholders lead to a better company management and influence through direct corporate commitment, and therefore engrain more sustainable business models. The United Kingdom and Sweden lead the ranking in this strategy [2].

With the aim of enhancing the interpretation of the abovementioned strategies across Europe during the last decade, Graph 1 exhibits the evolution and growth of the different approaches in absolute terms:

Graph 1: Growth of SRI strategies in Europe (2009-2017).



Note: values expressed in thousands of EUR.

Source: own elaboration with data from [1].

Graph 1 shows that there exist great disparities amongst the different strategies scrutinized, with exclusions presenting a remarkable advantage against the other approaches. Conversely, Sustainability themed and Impact investing show much inferior figures. Despite the differences among strategies, all of them exhibit a marked boost in absolute terms, meaning a significant expansion of the market for the last decade and greater investor's ESG concern and commitment. Although, it can be also seen a slight decline for some strategies in 2017, due to the consolidation in the industry.

3.2. Where do we stand?

Over the past years, the EU has introduced historical regulations and policies that aim to amend our economy and society to place it on a more sustainable path. In fact, science has pointed out the urgent need for a transformation in a more just and inclusive direction, which gives the opportunity to put Europe firmly on a new path towards sustainability [16]. In this endeavor, the core of the "EU Sustainable Finance" is materialized by the EU Green Deal (which accelerates the economy to more sustainable business models) and the EU Sustainable Finance Strategy (which integrates mainstream sustainability factors in financial markets) [17].

3.2.1. European Green Deal (EGD)

The European Green Deal (EGD[4]) resets the European Institution's commitment to tackling climate and environmental-related challenges. Actually, the European Commission defines the EGD as a *"new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use"* [16].

The initial roadmap of the key policies and measures include the European Climate Law (to engrain the 2050 climate-neutrality target), the European Climate Pact, the 2030 Climate Target Plan (to further downscale greenhouse gas emissions by 55% in 2030) and the EU Strategy on Climate Adaptation, which aims to adapt citizens to the unavoidable impact of climate change [18].

The Deal is made up of several elements, including national targets, energy efficiency policies or low carbon technologies promotion (see appendix: Figure 4). Moreover, this upcoming June the Commission will assess new policy instruments and additional restrictions to gas emissions [16]. Internationally, the EGD is part of the European strategy to implement the UN climate change agenda and the Sustainable Development Goals [18].

[4] European Green Deal

3.2.2. EU Sustainable Finance Strategy

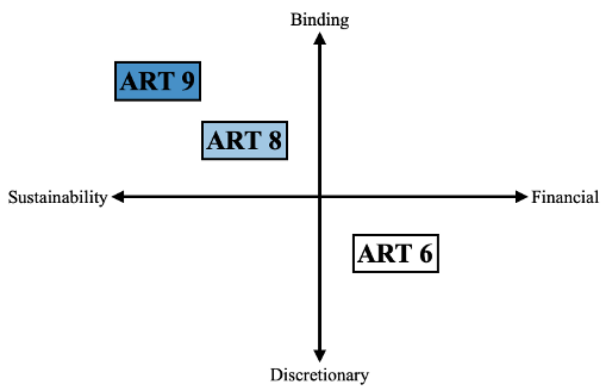
Within the framework of the EGD, the European Commission has launched a sustainable finance strategy in order to guarantee an appropriate transition of businesses towards sustainability, especially when it comes to create a sustainability legal framework for private investors and the public sector [19]. Thus, the action plan sets out a comprehensive strategy to further connect finance with sustainability. With the aim of classifying sustainable activities and establishing a clear and detailed taxonomy, the EU Commission has created the Sustainable Finance Disclosure Regulation.

3.2.2.1. Sustainable Finance Disclosure Regulation - SFDR

In March 2021, the EU Sustainable Finance Disclosure Regulation (SFDR) became into force. This legislation aims to homogenize the integration of the various sustainability factors within the investment chain. At the same time, it aims to prevent any terminological confusion and streamlines the criteria asset managers use to define, measure and report on the ESG attributes of their economic activities [20]. Moreover, it aims to reduce the risk of greenwashing by increasing transparency.

SFDR ties sustainability and the financial perspective of the investments by defining "sustainable investment" as an economic activity that contributes to an environmental or social objective [17]. Moreover, it classifies the diverse financial products under various categories (Art 6, Art 8 and Art 9). Article 6 focusses on the integration of sustainability risks factors in the decision-making processes [20]. Article 8 not only takes into consideration sustainability risks, but also adds further requirements to investee companies and binds sustainability factors integrated in the asset allocation. Here, investors may report on the alignment with the EU Taxonomy on the *"share of the product portfolio invested in sustainable investments, complemented with a disclaimer for the remainder of the portfolio"* [17]. Finally, Article 9 applies to products having as objective

Figure 1: SFDR factors in asset allocation.



Source: own elaboration with data from [17].

sustainable investments, having stricter requirements in terms of their positive contribution to sustainable development. Integration of the EU Taxonomy for the entire product portfolio is mandatory [17]. Conclusively, the classification states the level of integration of sustainability into the different products, although there not exist minimum requirement for products in the SFDR.

The regulation also provides definitions for sustainability risks, sustainability factors or double materiality, amongst others. Moreover, the SFDR classification spreads to the current ESG strategies (see appendix: figure 5).

The consequences of the SFDR are yet to be comprehended. Nevertheless, it is expected that the number of financial products will increase significantly in Europe in the upcoming years [21]. However, terminological problems may well arise, especially when it comes to specific dispositions over Article 9, and more incentives will be placed in the market. Although financial market participants need to settle down, the regulation aims to ensure accuracy in documentations, marketing materials and reporting by establishing common definitions and descriptions [17]. Therefore, investors will be better informed and familiarized with the different SRI products, and will be able to make fair comparisons, reducing greenwashing risks.

3.2.3. Current international frameworks

In this study, in order to analyze and compare the different financial institutions under the same standards, five different international frameworks have been selected. However, there exists a distinct lack of harmonized metrics between ESG rating frameworks, which complicates unbiased research on the topic. In this context, the frameworks selected are the most globally adopted by all the banking institutions investigated, as well as the most extended ones internationally both in the public and private sector. They provide clear and reliable guidelines on ESG factors and have been issued by decisive international organizations.

In Table 1, the international frameworks have been ordered according to their level of accuracy and clarity (exact and precise guidelines, exactitude on the topic...) and strictness (measured as the number of institutions actively adopting them):

Table 1: International frameworks: ranking.

	FRAMEWORK	SCOPE	PARTICIPANTS
#1	MSCI METHODOLOGY	Climate	Specific metrics that label from AAA to CCC the different funds (Index Carbon Footprint, Exposure Risk, Involvement Screening, Screened Index Methodology and ESG controversies).
#2	UNEP FI Collective Commitment to Climate Action	Climate	Banking initiative supporting the net zero economy by 2050: only 38 banks from all over the world are committed to this project.
#3	EQUATOR PRINCIPLES	Climate (environment), Social	Risk Management framework adopted by the financial institutions. There exists 116 institutions worldwide currently committed to these principles.
#4	OECD Guidelines	General ESG	Departing from the UN Global Compact, OECD countries encourage MNEs to actively implement these recommendations.
#5	UN Global Compact	General ESG	10 value principles regarding Human Rights, labour, environment and anti-corruption that must be followed by all kinds of businesses.

Source: own elaboration with data from [64][3][5].

- UN Global Compact: the UN Global Compact consists of 10 values principles for corporations to give attention to and guide them in sustainability. They comprise human rights, labour, environment and anti-corruption. The values are to be applied structurally wherever in the world a business operates. For principles to have an effect, they should be put into, strategies, policies and procedures. Its goal is long-term success for people and the planet [64].

- OECD Guidelines: the OECD Guidelines for Multinational Enterprises (2011) are government-backed recommendations to encourage sustainably responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. The first version was adopted in 1976, the 2011 revision is the fifth update. Though the Guidelines are non-binding, implementation is encouraged among the 49 adhering countries. The Guidelines cover a range of subjects when prescribing the proper business ethics, including human rights, environment, and information disclosure [65].
- Equator Principles: the Equator Principles (EPs) is a framework adopted by certain financial institutions; to be used as a risk management assessment when determining, assessing, and managing environmental and social risk in projects. The EPs were first created in 2003, with the most recent version having been released in 2020. It was created to provide a minimum standard for due diligence and monitoring to support and guide responsible risk decision-making. Today 116 financial institutions have adopted the EPs and annually report their EP-related activities [65].
- UNEP FI Collective Commitment To Climate Action: the Collective Commitment to Climate Action (CCCA) is one of the most ambitious banking initiatives of the United Nations Environmental Programme (UNEP) since it supports the transition to a net zero economy by 2050. A net zero economy is based on reducing the residual greenhouse emissions resulting from economic activities. To achieve this goal, the CCCA brings together more than 38 banks from all over the world who have committed to align their portfolio offerings with this goal. Every two years, the bank will report on their progress detailing the measures taken to reach the state of a net zero economy [65].
- MSCI Methodology: it entails 5 metrics. ESG Ratings are scores from AAA to CCC for investors to see at glance the sustainability of funds. The metrics are index carbon footprint, risk of exposure to market and regulatory changes regarding climate damaging business practices, business involvement screening research, ESG screened index methodology and ESG controversies [65].

4. Methodology

This section explains the chosen research design in order to answer the analysis questions posed by this study. The form this research takes is shaped by the kind of knowledge it aims to contribute. Hence, it is an applied and explanatory method based on an initial investigation of a well-defined problem of interests about non-financial concerns, to eventually analyze the sustainable business practices of financial institutions.

The sample selected consist of five financial institutions located in the European Union, where they mostly operate. More precisely, they are based in western Europe, where it is expected to find that SRI are more developed than in other regions. Each banking institution belongs to a different country with the aim of making a representative and complete sample of the largest economies of the Eurozone. Additionally, these corporations concentrate an impressive, large and significant amount of AUM[5] in their respective countries and internationally, apart from holding considerable positions in the Europe's ranking of largest banks by assets (see appendix: figure 6) [22]. Thus, these corporations are key to mobilize resources and stimulate the entire industry. Their role is fundamental to contribute towards a more responsible and sustainable economy by financing according to the highest ethical standards. Table 2 exhibits the basic indicators for the financial institutions chosen:

Table 2: Financial institutions' key indicators.

		BNP PARIBAS	CaixaBank	Deutsche Bank	ING	KBC
Full name		BNP Paribas SA	CaixaBank SA	Deutsche Bank AG	Internationale Nederlanden Group	Kredietbank ABB Insurance CERA Bank
Country		France	Spain	Germany	The Neetherlands	Belguium
AUM	**2019**	2,164,713 million EUR	391,414 million EUR	777,081 million EUR	891,744 million EUR	290,591 million EUR
	2020	2,488,491 million EUR	451,520 million EUR	993,292 million EUR	937,395 million EUR	320,743 million EUR
Net Profit	**2019**	8,173 million EUR	1,705 million EUR	(19,685) million EUR	17,637 million EUR	2,489 million EUR
	2020	7,067 million EUR	1,381 million EUR	(17,69) million EUR	18,306 million EUR	1,440 million EUR
Number of employees		193,319	51.000 (including Bankia)	84,389	57,000	40,863

Source: own elaboration with data from [23], [24], [25], [26], [27].

In terms of SRI, the five financial institutions selected are some of the ones leading in their respective regions, according to their investment strategies and procedures. They display this fact by adding a lot of attention and information on their main communication

[5] Assets Under Management

levels and in the supply of the product information. Moreover, each institution applies relatively equivalent structures and patterns to the different SRI products they offer.

4.1. Data collection and analysis

Data collection for this study was conducted using mainly secondary data available in the official websites of the different financial institutions selected, usually qualitative, and collected from February to May 2021. Accordingly, all corporate reports and web content were unbiased and accredited by the own corporations, primary authors of the information gathered.

In terms of data analysis, this report does not prioritize quantitative measures as criterion. Rather, key qualitative content has been identified, categorized and eventually described. Prior to the analysis, a homogenized definition of SRI was arranged according to the European standards. Since SRI is the umbrella term for a large range of investing approaches, all the screenings and strategies were summarized as well. The financial institution's data was examined according to current sustainable parameters comprehended within the European taxonomy. In order to accommodate any potential heterogeneity, and actually with the aim of developing a generally accepted criteria of what SRI are and how financial institutions currently behave under these frameworks, the author proposes an original system of ratings according to different specifications.

It must be noted that part of the empirical work was elaborated under the Intensive Programme "The Future of Banking and Finance" (IP FBaF) together with partner European universities during the months of February and March 2021.

As data collection is primarily based on official reports of qualitative facts, one important limitation of the study remains in the fact that figures and information are formally disclosed, and the author does not have the capacity to verify all of these details. Therefore, this study is a perspective-based research which is not standard or statistically representative, since the author is not able to corroborate the results objectively against tangible scenarios.

5. Analysis of the results

This section includes relevant information for the five financial institutions selected. First, we present an individual analysis of each institution, paying attention in each of them to the different ESG factors. The description of each bank is based on their own official documents and reports, the author has not made any judgement of their statements in this section. Later on, their most influential SRI products are described and compared.

5.1. Practical approach: Financial Institutions

The financial institutions selected are established in the European Union, although they operate worldwide. All of them have developed frameworks and practices to evaluate where their assets are allocated and how they contribute to responsible business. In the following section, the ESG criteria and progress of each institution will be assessed and put under scrutiny.

5.1.1. BNP Paribas

BNP Paribas is one of the top-ranked banks across Europe located in 71 countries, focused on providing *"quality investments solutions for individual, corporate and institutional investors"* [28]. The bank was founded in 2000 by the merger of Banque Nationale de Paris (BNP) and Paribas, and currently manages assets of which over 70% correspond to Europe (see appendix: figure 7). BNP Paribas is the dominant French banking institution and one of the most important at a European level, whose main purpose is to advance in an economic model that is more sustainable, inclusive and respectful with the environment, by guiding and financing clients with the strictest ethical standards [28].

To achieve its mission, the bank offers a broad range of SRI products including sustainability-linked loans, green bonds and themed funds. All its products and services follow distinguished international frameworks and guidelines such as the UN Sustainable Development Goals or the Principles for Responsible Banking [29]. Some of the sectors they finance present major ESG challenges (i.e. defense, palm oil or nuclear energy). For this reason, BNP Paribas has outlined policies taking into consideration ESG standards when making financing and investment decisions applying to all of the group businesses lines and countries where are present [30].

Environmental

First efforts come from inside BNP Paribas. The bank reduces its environmental impact through carefully examining the water, electricity and waste indicators (see appendix: figure 8) [28], reducing employees mobility (both business trips and commuting) and implementing new and more sustainable technologies [31]. However, the most significant repercussions come from the BNP initiatives, such as phasing out from fossil fuels or increasing finance to renewable energies (which has doubled over the past four years, and has a 2021 target of 18 billion euros) [32].

Since climate criteria is part of the corporate strategy, BNP Paribas has aligned its credit portfolios with the objective of complying with the Paris Agreement, becoming the European green investments' leader and reducing its impact on the environment [31]. Their policies affect to nine sectors (defense, palm oil, wood pulp, nuclear energy, coal-fired power generation, agriculture, mining industry and unconventional oil and gas industry) [30]. Thus, the group will no longer do business with oil and gas companies, will not finance oil and gas exploration or production projects in the Artic and will terminate its financing and investing activities relating to tobacco product manufacturers and related stakeholders [33]. All these policies follow the institution's commitment on *"making a positive difference on people's future by focusing on achieving long-term sustainable investment returns"* [29].

Social

Regarding social concerns, BNP Paribas has for years developed a committed and responsible D&I (Diversity & Inclusion) policy in all its operating countries. For nearly 15 years, to deploy its actions as widely as possible across all its entities, BNP Paribas has assembled a team involving more than 40 Diversity Officers, representing the Group's 72 countries as well as all business lines and functions, named the "BNP Paribas way", which struggles for gender equality, multiculturalism and diversity of origin and disability integration [34].

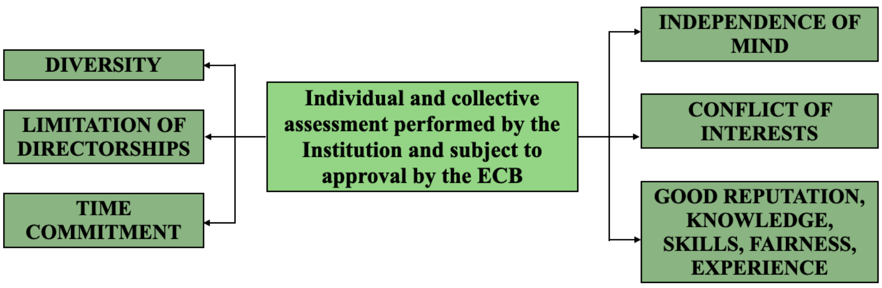
On the other hance, this financial institution promotes financial inclusion through innovative solutions such as "Nikel", an account service targeted to low-income populations [35]. BNP Paribas also encourages the economic, social and cultural development of disadvantaged areas by providing guidance for more vulnerable clients or by mounting sponsorship programs. At the international level, it has devoted 900 million EUR to support microfinance institutions in 33 countries, providing vital support to over 2 million micro-entrepreneurs [35].

Governance

BNP Paribas upholds the highest standards of conduct and ethics through its mission, rules, values and practices. Thus, the institution's strategy is balanced and consistent, based on a culture of control and risk management closely monitored [36]. The company has its own Code of Conduct fighting on corruption, which must be followed by all employees to support the Group in its commitments, including those related to corporate governance [34].

Moreover, in terms of governance, since 2003 the group CEO and chairman have separate functions, no member of the Executive Committee belongs to the Board Committees since 1997 and there exists a Committee of the Board in charge of dealing, among others, with CSR matters [36]. Additionally, Figure 2 shows the internal sustainability of the board of directors, which is subject to strict regulations (with fewer directorships allowed, ongoing assessments and a fixed remuneration policy) [36].

Figure 2: Sustainability of the Board of Directors (BNP Paribas).



Source: own elaboration with data from [36].

5.1.2. CaixaBank

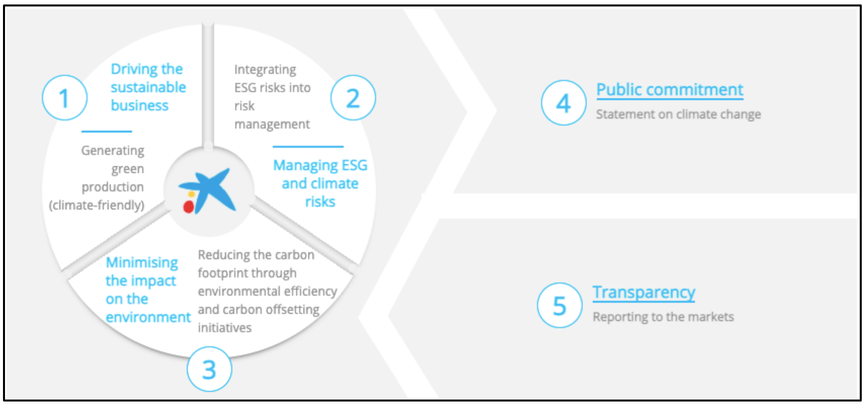
CaixaBank is the largest Spanish financial institution by volume of assets and leader in retail banking services at a national level [37]. Based in Valencia, the corporation was established in 2011, although its foundation as a savings bank dates back to 1904. CaixaBank has recently merged with Bankia, driving to an exceptionally consolidated institution.

CaixaBank follows a socially responsible banking model strategy, focused on generating sustainable profits while improving social commitment [38]. It indicates that its core values include quality, trust and social commitment; and is engaged in making a positive impact into society. Thus, the institution has developed an action plan comprising diverse areas of action that among others include environment, governance or financial inclusion, (see appendix: Figure 9) [38]. This action plan thoroughly complies with ESG criteria and promotes environmental solutions, social development, and innovative economic models. It must be noted that in 2021, CaixaBank was the leading financial institution in issuing green bonds in Spain and Portugal [39].

Environmental

Since climate change is one of the biggest challenges the planet is currently facing, CaixaBank encourages the transition to a low-carbon economy, both directly through its own operations and indirectly through its relationships with customers, subsidiaries and related stakeholders [40].

Figure 3: CaixaBank Environmental Strategy main lines of action.



Source: [40].

In this sense, the institution offers viable solutions in financing renewable energy, infrastructure and sustainable agriculture projects, among others. Moreover, it keeps seeking out new solutions and SRI products [41]. In terms of environmental risks, CaixaBank has applied the Equator Principles since 2007 and has an internal procedure for social and environmental risk management in project financing, apart from *"specific criteria for financing sectors and clients whose potential risk is estimated to be larger in line with the UN Principles for Responsible Investment"* [41].

In summary, the institution has promoted green production and sustainable bonds in this past five years and has advanced in the measurement and management of environmental and climate risk.

Social

At its inception in 1904, CaixaBank was created as a savings bank with the aim of accepting saving deposits from local entrepreneurs for retirement or disability. From then on, the institution has promoted investment with a social impact, apart from strengthening and developing a financial culture plan [42]. Moreover, "La Caixa" banking foundation (established in 1917) has contributed to social progress by promoting inclusion, education, environmental sustainability, diversity, corporate volunteering, and social wellbeing in general in Cataluña [37]. The foundation accounted for a budget of 560 million EUR in 2020, which positions the private initiative with the most resources dedicated to social activities in Spain [40].

Governance

The Board of Directors is responsible for approving, supervising and monitoring the effectiveness of CaixaBank sustainable strategy, while the Appointments Committee is responsible for supervising CaixaBank activity linked to the topics of corporate responsibility that also include the Environmental Strategy [41].

The institution's main priorities include integrating the governance of corporate responsibility from the group perspective, incorporate further ESG criteria in the business and consolidating the management, measurement and monitoring of reputational risk [42]. However, the merge with Bankia, together with the consequences of the COVID-19 pandemic and the rapid digitalization of the industry has led CaixaBank to propose the dismissal of over 8.000 employees, a controversial policy still under debate [43].

5.1.3. Deutsche Bank

Deutsche Bank is a global financial and banking services company based in Frankfurt am Main (Germany). Currently, it has great presence in Europe, America, Asia-Pacific and other emerging markets. It counts with several locations in London, Singapore, Hong-Kong, Sydney or New-York City, and places particular emphasis on investment banking with the issuance of shares, bonds and certificates. It must be noted that Deutsche Bank is the largest provider of mutual funds in Germany with a market share of approximately 26% [44].

The business offers a broad range of traditional and alternative investment solutions, as well as comprehensive advice on all aspects of wealth management and sustainable finance. As the own bank states, *"we see it as our duty to support our customers in navigating through the complex environment and to facilitate their transformation towards a more sustainable economy"* [45].

In this later regard, Deutsche Bank plays an active role in facilitating the transition of economies towards sustainable and low-carbon growth through their business activities and financial flows towards more sustainable and climate-friendly solutions. The institution has set a target of delivering at least 200 billion euros by 2025 in sustainable finance [46].

Environmental

Deutsche Bank starts the environmental approach with its own business operations, which have been climate neutral since 2012, making the institution one of the first financial service providers to embark on this path. In 2016, the bank made an explicit commitment to contribute to achieving the targets of the Paris Climate Agreement. In July 2019, Deutsche Bank made a broader, long-term commitment to sustainability, placing it at the heart of its business strategy [47].

The systematic integration of environmental and social matters into the decision-making processes is a key component of the bank's responsible corporate behavior. Deutsche Bank principles for environmental sustainability include climate mitigation and adaptation; protection, restoration and promotion of natural resources and healthy ecosystems and a transition to a circular economy [45]. In order to embed sustainability holistically throughout the institution, Deutsche Bank focuses on making sustainability an integral part of their client's offerings, apart from increasing the volume of sustainable financing and the portfolio of sustainable investments and integrating environmental considerations into the bank's risk management framework [47].

Likewise, the institution applies enhanced due diligence in certain sectors based on their inherent elevated potential for negative environmental and social impacts (i.e. oil and gas, metals and mining, activities with high carbon intensity or potential for human rights' infringements), that specifies the requirements for due diligence and includes criteria for mandatory referral to group sustainability [48].

Social

Deutsche Bank principles for social sustainability are respect for human rights, enabling living conditions and access to essential services [45]. Thus, the bank promotes the protection and enablement of basic human rights around its stakeholders, including food provision or labor protection. Moreover, participates in projects aiming at developing affordable housing, infrastructure and energy provision, at the same time that promotes inclusive access to health, education and financial services [45].

Additionally, the bank is determined to offer our employees conditions that fulfil their needs (from fair remuneration and a good work-life balance, to an appreciation of diversity). Deutsche Bank's culture emphasizes performance while at the same time promotes responsible behavior [49].

Governance

Deutsche Bank has a healthy governance structure enabling it to operate within the clear parameters of the Compensation Strategy and the Compensation Policies. In accordance with the German two-tier board structure, the Supervisory Board governs the compensation of the Management Board members while the Management Board oversees compensation matters for all other employees in the Group. Both the Supervisory Board and the Management Board are supported by specific committees and functions [44]. The Supervisory Board of Deutsche Bank appoints, supervises and advises the Executive Board and is directly involved in decisions that are of fundamental importance to the bank.

Moreover, a compensation framework emphasizes an appropriate balance between fixed pay and variable compensation, aligning incentives for sustainable performance at all levels of Deutsche Bank whilst ensuring the transparency of compensation decisions and their impact on shareholders and employees [45].

However, in 2014 the institution reported losses for 1.200 million EUR, when internal analysts predicted benefits close to 600 million EUR. This led to the resignation of former co-CEO Jürgen Fitschen and Anshu Jain. Later in 2016, the bank accounted for extraordinary losses and registered a capital increase [44].

5.1.4. ING

Internationale Nederlanden Groep (ING) is the major Dutch multinational banking and financial services corporation with presence in over 40 countries. It is one of the largest banks worldwide with a strong European base [50]. Its competitive advantage is based on an entirely differentiated customer experience, while its main SRI offer consists of green bonds, green loans and sustainable-themed funds [51].

One particular characteristic of ING is that it introduced an innovative concept of banking and a disruptive system without branches in the later 90s: banking without having to go to a bank. Moreover, the institution's core values include integrity, transparency, honesty and responsibility, which are materialized trough clear and demanded products, customer empowerment and advantageous banking solutions [51].

ING considers and implements ESG factors in all its operations and decision-making processes and takes active responsibility on its impact on the environment and society. As the own institution states, *"being sustainable is in all the choices we make -as a lender, as an investor and through the services we offer to our customers"* [51]. However, it must be noted that ING focuses its efforts on climate action and financial health. Thus, with the purpose of creating wealth and prosperity, the company is committed to international sustainability principles and frameworks, apart from following its own corporate commitments and goals (see appendix: Figure 10) [51].

Environmental

ING makes strong efforts to steer their lending portfolios towards the Paris Agreement, in an inclusive transition to low-carbon economies. Thus, ING finances several energy projects and circular economy practices under a particular project named "Terra Approach", an internal report that analyzes the improvements and progress of the banking institution yearly [52]. The paper is based on a nine-sector approach (power generation, fossil fuels, commercial real estate, cement, steel, automotive, aviation and shipping) that are scrutinized independently and defines a pathway for most climate-relevant sectors, while only accepts a deviation of no more than 5% to be within the bandwidth of performance (see appendix: Figure 11) [52]. Thus, ING provides disclosures around the governance, strategy, risk management, metrics and targets related to climate risks and opportunities. The Terra approach has facilitated disclosures on several of these themes. By going through the process of assessing each sector with the Terra approach, ING is capable of determining the CO_2 intensity of each client and sector in scope.

Moreover, all ING's businesses and products must fulfill the Environmental and Social Risk (ESR[6]) internal framework, which employs severe social, ethical and environmental standards [53]. Actually, the ESR framing follows the Equator Principles, the Collective Commitment to Climate Action or the OECD guidelines, among others [54].

Social

In terms of social responsibility, ING's main objective is to use the business relationships to assess and enable their clients to fight in the ongoing struggle for Human Rights. This financial institution has focused on switching the international landscape by playing a leading role in the restructuring of the new version of the EP4[7] [55]. Moreover, ING carried out data-driven analysis to assess human rights impacts affecting its clients, as new tool to promote the engagement and to involve their clients in a different way in order to build a stronger non-financial portfolio [55].

Additionally, ING promotes the education, innovation and involvement in financial health trough several activities and projects carried out internationally. The bank uses social networks such as YouTube to give millions of people financial insights. Also, some initiatives such as the five-week program called "EmpowerCamp", located in Austria, informs and assess clients on their finances. Other example is "EveryDay RoundUp", an initiative carried out in Australia to encourage personal savings [56]. Eventually, this past year ING took the lead of the COVID-19 situation providing help to its clients and its employers, supporting the health and wellbeing of them [55].

Governance

In 2018, ING created a Climate Change Committee (CCC) to further develop suitable methodologies and support its integration in the risk management process. More

[6] Environmental and Social Risk
[7] Equator Principles 4

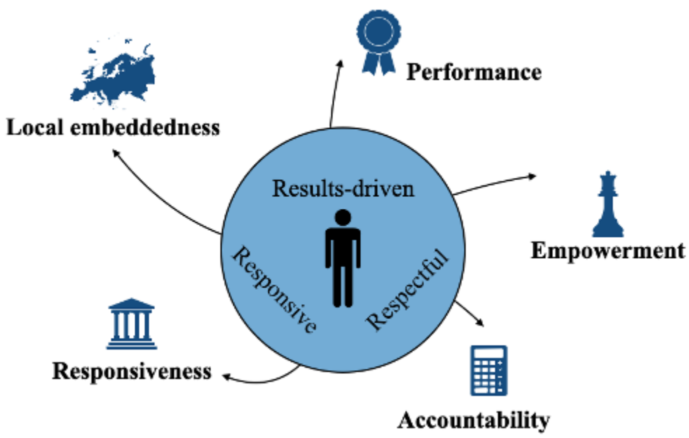
specifically, this body is responsible for mandating appropriate processes, guiding policy strategies and monitoring the overall process through transparent and accurate guidelines [57]. However, this banking institution has gone through controversial and unsatisfactory practices over the past years, with its former CEO (Ralph Hamers) probed over ING's money laundering scandal. Eventually, ING paid 775 million EUR to settle the case, after failing for years to adequately implement a law aimed at preventing money laundering and the financing of terrorism [58]. Moreover, despite the proper corporate image and marketing, in 2018 ING drew attention to the high salary that they wanted to provide to ING's CEO Ralph Hamers. This initiative was against the strict rules about competitions in The Netherlands, limiting the bonus to 20% of base paid for banks [59].

5.1.5. KBC

KBC Group N.V. is a Belgian bank-insurer founded in 1998 through the merger of two Belgian banks (the Kredietbank and CERA bank) and one Belgian insurance company (ABB). Since 1999, they have acquired other banks in order to grow their reach. Nowadays, they are active in Belgium, Ireland, Central Europe and South-East Asia [27]. Their overall culture and values are described by the acronym PEARL (see Figure 3).

Regarding SRI and ESG specifically, KBC Group makes an effort to be transparent about their actions. Unlike other financial institutions, they release a sustainability report at the end of each year, the first dating back to 2005 [60]. Additionally, the role they assume in society is explained in a separate report, Report to Society, which they release annually as well [61]. KBC's sustainable strategy is concentrated around limiting their negative impact on society by implementing innovative policies and sustainable guidelines, increasing their positive impact on society trough their businesses operations and encouraging responsible behavior among all their related stakeholders [62].

Figure 3: PEARL (KBC).



Source: own elaboration with data from www.kbc.com

Environmental

The 2019 Sustainability Report explains KBC's view on sustainability and their vision on implementing it on their products is materialized through different tasks. KBC recognizes that, as a large financial institution, they need to play a leading role and be a significant lever in the process of transition to a more sustainable society and a low carbon economy, by working together with all the industry [62]. In 2020, the financial institution went further on the major steps they took in 2019, when they signed up to the Collective Commitment to Climate Action and the pursuit of the objectives of the Paris Agreement. On the other hand, their commitment starts with themselves, as they make regular implementations of sustainability policies which are updated every two years [60].

Likewise, KBC applies and regularly revises strict policies to limit the negative environmental impact of their activities through such measures as specific policies on energy and other socially and environmentally sensitive sectors (palm oil, soy, mining, deforestation, land acquisition, etc.), as well as focusing on their core business lines to adjust them in line with the Paris Agreement goals [60]. Eventually, KBC engages and works with clients and other stakeholders to create climate change awareness and environmental responsibility, stimulate climate action, and support their clients in their transition to a sustainable, low-carbon and climate-resilient society by developing and offering specific banking, insurance and investment products and services [60].

Social

KBC promotes a culture of diversity and inclusion, creating a working environment where their employees can be themselves and express their personal opinions. Therefore, the institution is strongly committed to raising internal awareness about unconscious bias and taking action in this regard [60]. Actually, last year KBC introduced the e-learning package 'Unconscious bias: How to become #Allinclusive to boost our employees' awareness and knowledge of this topic [60]. Moreover, KBC Group performed a study in 2019 to investigate the role of gender in terms of remuneration, concluding there was no gender bias in awarding and raise promotion [62].

On the other hand, KBC is fully committed to meeting its responsibility to respect human rights throughout the group. To achieve this, they apply the UN Guiding Principles on Business and Human Rights, the global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity [63]. Accordingly, KBC fulfils its commitment to respect Human Rights in relation to its core stakeholders through specific policies and human rights due diligence processes, taking into consideration that as a financial institution, KBC's highest risk in terms of potential involvement with human rights violations arises through its client relationships, through its credit and insurance portfolio, its asset management activities and its own investments [63].

Governance

KBC has integrated sustainability into the remuneration systems of their employees and especially their senior managers. Thus, the variable remuneration of Executive Committee members is linked to factors including the achievement of a number of collective targets [62]. It must be noted that one of those goals specifically relates to progress in the area of sustainability, which is evaluated every six months using the KBC Sustainability Dashboard, in such a way that at least 10% of the variable remuneration received by a senior management depends on the achievement of the group's sustainability strategy [60].

The Executive Committee reports to the Board of Directors on the sustainability strategy, which is included as top risk for KBC Group [61]. Therefore, major changes to sustainability policies as well as sustainability-related reporting are also discussed at board level. Moreover, KBC has developed an Internal Sustainability Board (ISB) chaired by the Group CEO and formed by the respective representatives of the Executive Committee members (from all business units and core countries). Consequently, it is the primary forum for the discussion on all sustainability-related issues and is the main platform for driving sustainability at group level [62].

Additionally, KBC has designed external advisory boards to advise the group on sustainability related aspects, which participated in drawing up the white papers in the Sustainable Finance Programme [61].

5.2. Comparison of principal SRI products

Table 3: SRI funds, bonds and loans of the financial institutions selected.

INSTITUTION	FUNDS	GREEN BOND	GREEN LOAN
BNP PARIBAS	***BNP Paribas Energy Transition Suite*** • Fund themed on renewable energies, more specifically in renewable and transitional energy production, technology and efficiency. • Resources are invested in global companies that through their projects address environmental challenges in the energy.	• Founded its own Green Bond in 2017 and currently has over 900 million EUR invested. • Some remarkable beneficiaries are Enel (energy producer and distributor focussed on increasing renewable energy capacity) and Volvo Cars (green financing structure for its electric vehicles).	• BNP Paribas is one of the global leaders on Green Loans with a market share of 7%. • Loans are customized and adjusted depending on the different clients, although it emphasizes on targets related to KPI's on greenhouse gas emissions.
CaixaBank	***CaixaBank Selección Futuro Sostenible FI*** • Fund themed on general ESG criteria, with a minimum investment of 75% in companies following these principles. • Invest mostly in technological and industrial companies, primarily based in the US.	• Developed the SDG Bond Framework in 2019, with the aim of mobilizing capital to a low carbon, resource efficient and inclusive economy. • Covers not only green and environmental issues, but also social (access to essential services, basic infrastructure, etc.).	• During 2020 CaixaBank signed 32 green loans for a value of 2.997 million EUR linked to ESG criteria. • Better loan conditions for improved sustainability performance.
Deutsche Bank	***PPI Sustainable Investment DB*** • Managed by DWS, a recognized "sustainable" company. • There exists poor information (online) on ESG criteria and other relevant variables.	• Deutsche Bank helps clients across the globe to raise sustainable financing through ESG bonds, including green bonds and social bonds and sustainable bonds. • Placed its first green bond on June 2020.	• In Germany, Deutsche Bank grant loans for energy-efficient building and sustainable energies that are subsidized by the KfW bank group. • Green loan designed for corporate customers based on energy efficiency.
ING	***NN Global Sustainable Equity*** • Fund themed on reducing carbon footprint worldwide. • Invests in multinational companies applying an acceptable sustainability policy. • Periodic assessment.	• High transparent green bond framework following ICMA principles. • Proceeds are allocated on renewable energy projects, clean transportation, pollution prevent and sustainable water management.	• Lower interest rates (better conditions) for improved sustainability performance (ESG criteria). • Achievement on targets (borrower). • Some remarkable clientes are Philips (2017) and Renewi (2019).
KBC	***KBC Equity Fund SRI World*** • Stock fund based on positive criteria and exclusions. • Aims to invest chiefly in a global selection of companies that operate in a sustainable and socially responsible criteria. • Independent expert assessment.	• Green bond framework aligned with the Green Bond Principles (2017). • Proceeds used to re-finance projects that contribute to the environment, taking into especial consideration pollution.	• Green loan designed for retail customers based on energy efficiency. • Requirements include half of the investment on an eco-friendly home improvement or enhancements.

Source: own elaboration with data from [22] [23] [24] [26] [28] [30] [31] [32] [33] [34] [35] [37] [39] [40] [41] [42] [44] [47] [52] [53] [56] [57] [58].

Table 3 shows the most relevant SRI products of the financial institutions selected, which are described in separate columns attending to their nature. For each bank, a sustainable-themed fund has been selected, as well as advanced green bond frameworks and representative cases of green loans granted. All data regarding sustainability of the products offered are public for potential investors.

As it may be observed, most themed-funds currently available in the marketplace are related to the environmental frame of sustainability. Normally, these funds invest in renewable energies through different projects carried out by major technological companies based in the US. Investment portfolios often match, although assessment policies and expert analysis differ depending on the institution. Themed-funds are the most attractive and accessible way of investment at present.

In terms of green bonds, their presence has markedly increased over the past years. Therefore, the companies that benefit from these financing option are still only a few, usually large corporations that refinance projects related to the environment. Green bonds are still a niche, although they have high potential on mobilizing capital towards environmental issues. It must be noted that some of the financial institutions selected have implemented green bonds during the last year.

Green loans have a wider scope. However, these contracts are not standard and typically are customized depending on the type of client and project to be financed. This green product provides better conditions for improved sustainability performance, and each of the institutions chosen offer diverse conditions. BNP Paribas is the European and worldwide leader in green loans in terms of market share, while in other regions of the world this product is not commonly supplied.

6. Discussions and conclusions

This paper consolidates the IP FBaF work on Socially Responsible Investments by placing emphasis on the European continent and expanding both the sample and the methodology followed for assessing the various financial institutions.

The most remarkable indicators for this research are very much in line with the positive expectations on the EU. In terms of where SRI are domiciled globally, Europe continues to manage the highest proportion with nearly half of global sustainable investing assets, although this share has declined slightly, due to a move to stricter standards. Moreover, the recent Sustainable Finance Disclosure Regulation (SFDR) already categorizes rigorously financial products according to their level of integration of sustainability factors, resulting in more demanding and rigid requirements to investee companies.

Our data also suggests a massive demand increase for sustainability-linked products. In fact, the market is explicitly asking for more options and alternatives committed to SRI, accentuated from the beginning of the COVID-19 pandemic. Thus, the main factors motivating stakeholders to choose for SRI are linked to the desire to address climate change and other environmental issues, featuring as key principles behind their choice. Investors still find imperative profitability, although the financial opportunities presented by current sustainable investing seem to be fairly attractive in terms of returns.

Consistent with Europe's firmly path towards sustainability, European banking institutions head and channel SRI globally, despite they present dissimilar backgrounds and various approaches to ESG criteria. Nonetheless, our data shows that negative or exclusionary strategies have become both fundamental and popular for these corporations, due to the relatively easy adjustment and accommodation of prior financial products to additional requirements and the striking positive impact on investors.

With the aim of facilitating a fair comparison based on corporate information regarding ESG criteria, the author proposes an experimental matrix of analysis, where all the financial institutions are compared in a qualitative way. The methodology applied is

Table 4: Numerical assessment criteria

1	**Minor**	The financial institution has been involved in major scandals regarding this topic.
2	**Weak**	The financial institution does not report on the topic, and if it does, the result is not positive or imprecise.
3	**Moderate**	The financial institution barely reports on the topic, but makes some efforts to make positive changes (not reflected in their results yet).
4	**Developed**	The financial institution does makes an effort and is concerned with the topic. Results are arising.
5	**Major**	The financial institution plays an active role and is a clear leader on the topic, which is reflected in its results.

Source: own elaboration.

a numerical assessment grading on a scale from 1 to 5, under the criteria exhibited in Table 4. Table 5 shows the results of the analysis:

Table 5: Matrix

AREA	THEME	BNP PARIBAS	CaixaBank	Deutsche Bank	ING	KBC
Climate Change	Renewable energy	5	4	5	5	3
	Corporate carbon emissions	5	4	5	5	2
	Products carbon footprint	2	3	4	4	2
	Financing environmental impact	3	4	3	4	4
Pollution and Waste	Water consumption	5	2	4	4	3
	Toxic emissions	4	4	3	3	2
	Electronic waste	2	2	4	3	2
	General waste	2	2	3	4	2
Environmental Action	Opportunities in clean technologies	4	4	4	5	4
	Opportunities in green building	2	2	3	4	3
	Offer of green products	5	5	5	5	5
AREA	**THEME**	BNP PARIBAS	CaixaBank	Deutsche Bank	ING	KBC
Human Capital	Diversity (i.e. Gender equality)	5	4	5	5	4
	Labour management	4	1	3	4	3
	Health and safety	4	3	3	3	4
	Human capital development	3	2	4	4	3
Social Investment	Access to communications	3	3	4	2	2
	Access to finance	5	3	4	4	3
	Social opportunities	2	5	3	4	4
	Charities	2	4	2	2	2
AREA	**THEME**	BNP PARIBAS	CaixaBank	Deutsche Bank	ING	KBC
Governance	Board structure and independence	5	3	5	3	4
	Remuneration system	3	2	4	2	5
	Ownership	5	4	5	3	4
	Accounting	4	4	1	2	3
	Risk management	4	4	3	3	3
Behavior	Business ethics	5	3	5	4	4
	Tax transparency	2	4	4	4	3
	Corruption	5	4	3	1	4
	Transparency on reporting	5	5	3	4	5

Source: own elaboration.

The results of the matrix present a dissimilar and assorted chromatic palette depending on the financial institution and on the distinct topics scrutinized. This wide-ranging colour outcome is an evident sign that the banking institutions are still in the process of developing and improving their approach to ESG criteria.

Overall, environmental themes seem to be far refined than other aspects. As can be seen, it accumulates the largest proportion of green cells. Climate change issues, technological progress and an intense media exposure have raised considerable social concern on this topic over the past years. All institutions seem to be putting strong efforts in terms of renewable energy or clean technologies, while there is a marked decrease in terms of waste.

Regarding social topics, they present the most unsatisfactory and deficient results. It must be noted that gender equality still needs to be further developed although major advances have been achieved. Conversely, social investments and donations generally achieve the lower scores, as a consequence of poor contributions and questionable policies. CaixaBank is the only exemption, although it should enhance its labour management guidelines.

In terms of governance, modern regulations and requirements enforced by the EU after the global financial crisis of 2008 have sanitized and purged the board structure and independence of the European banking institutions. Still, these corporations barely report on risk management (or it is private to the public) and some of them have suffered major scandals during the last decade in terms of corruption, which has affected the assessment.

With regard to the offer of green products, all financial institutions have obtained the maximum score. This is due to their leadership in terms of variety, quantity and diversification of their offerings, although these metrics may well vary over time. However, the aforementioned increase in demand is not matched by adequate product offer. In fact, still too few retail clients currently have the opportunity to invest according to sustainability preferences. In this later consideration, current legislation provides no specific requirements to embed sustainability as part of the investment preferences discussed with clients, resulting in a common information asymmetry when it comes to this kind of products; which dominates the relation between investors and their advisors.

Conclusively, a tangible reconstruction and evolution of the European environmental, social and economic fabric is in progress, although additional resources are still required. Hence, the current position of the market is still at a relative early stage, where unlimited opportunities and openings will emerge. Undoubtedly, more clarity would clearly profit all the industry, and future research might continue defining and reshaping investment criteria and sustainability standards. It is here, at this point, where financial institutions become the spur for change that our future society will need. There are countless steps to be taken, and many different possibilities to take these steps.

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8. Appendix

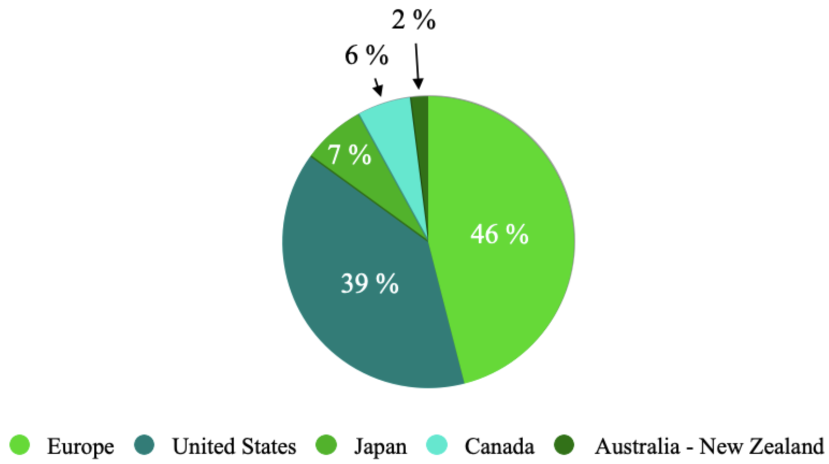

Figure 1: Proportion of global sustainable investing assets by region 2018 [10].

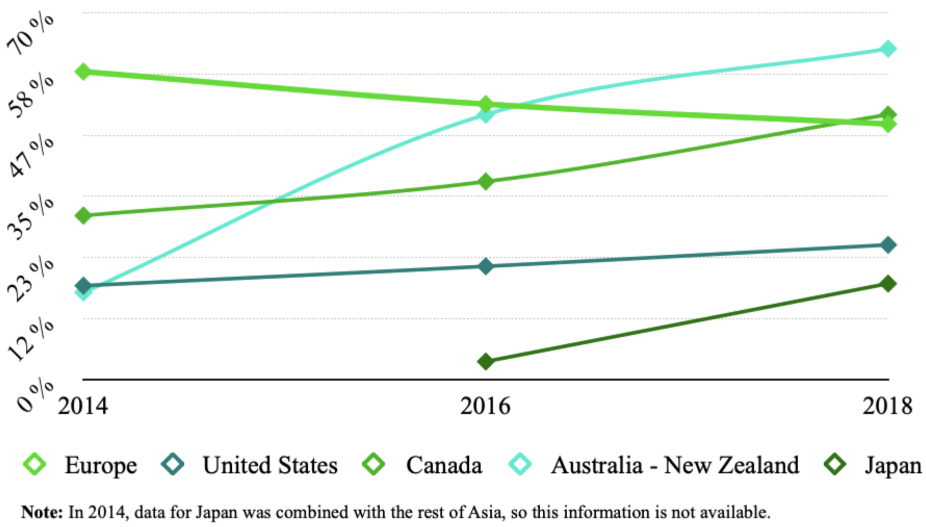

Figure 2: Proportion of sustainable investing relative to total assets managed by regions 2014-2018 [10].

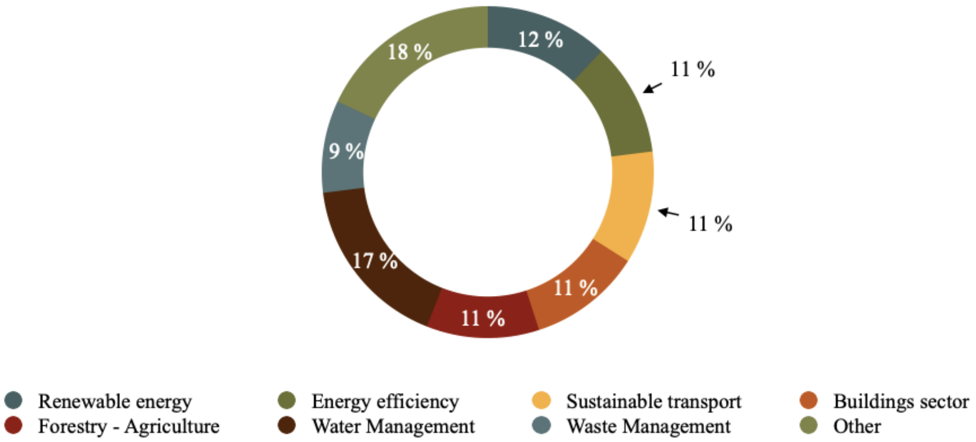

Figure 3: Sustainability themed investments in Europe 2018 [1].

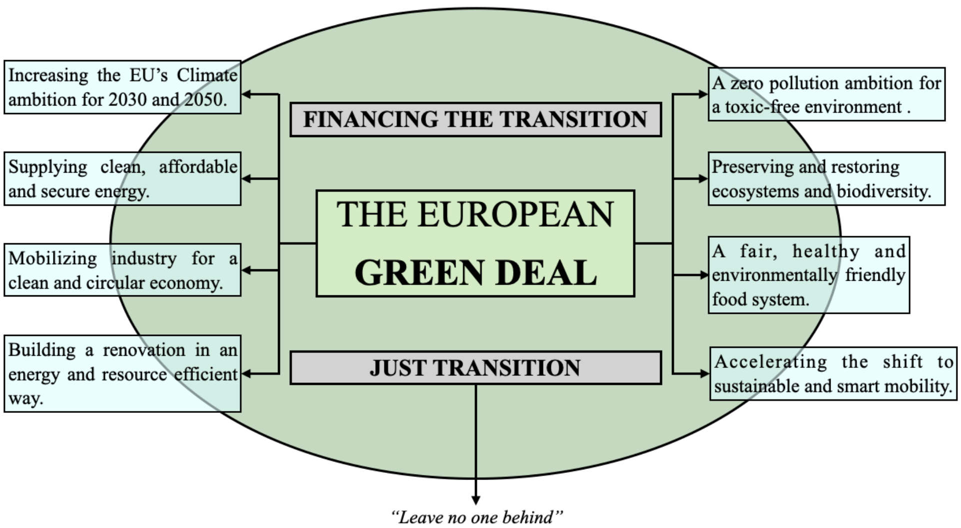

Figure 4: The European Green Deal main elements [16].

Strategy	Sustainability themed investing	Positive/best in class screening	Norms-based screening	Negative/exclusionary screening	ESG integration	Impact/community investing
Art 6 SFDR		✓ (If based on ESG integration)		✓ (If at firm level)	✓	
Art 8 SFDR	✓ (If part of the portfolio)	✓	✓	✓ (If at fund level)		✓ (If part of the portfolio)
Art 9 SFDR	✓ (If entire portfolio)					✓ (If entire portfolio)

Engagement and Voting: although identified as separate strategy in the Eurosif Transparency code, engagement and stewardship is an implicit requirement for Article 8 and 9 products, as products also have to demonstrate that the portfolio is invested in companies following good governance practices.

Figure 5: Eurosif classification of SRI [17].

RANK	NAME	COUNTRY
1	BNP Paribas S.A.	France
2	Crédit Agricole Group	France
3	Banco Santander S.A.	Spain
4	Société Générale S.A.	France
5	Groupe BPCE	France
6	Deutsche Bank AG.	Germany
7	Intesa San Paolo SpA	Italy
8	ING Groep	The Netherlands
9	UniCredit SpA	Italy
10	Crédit Mutuel Group	France
11	UBS Group AG	Switzerland
12	Crédit Suisse Group AG	Switzerland
13	La Banque Postale SA	France
14	CaixaBank SA	Spain
15	BBVA	Spain
16	Rabobank	The Netherlands
17	DZ BANK AG	Germany
18	Nordea Bank Apb	Finland
19	Danske Bank A/S	Denmark
20	Commerzbank AG	Germany
21	ABN AMRO Bank	The Netherlands
22	KBC Group NV	Belgium

Figure 6: Europe's largest banks by assets, 2021 [22].

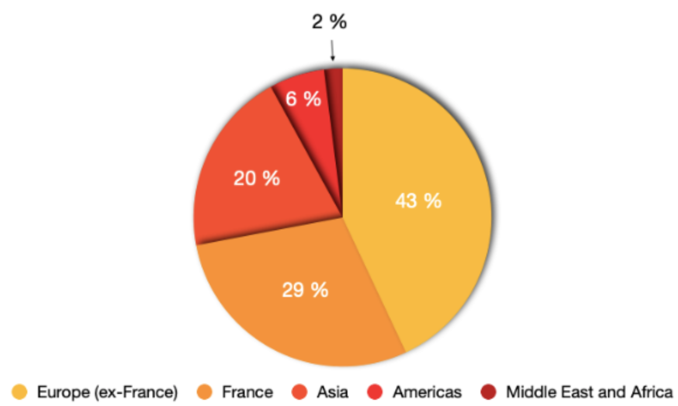

Figure 7: allocation of BNP Paribas assets under management by geographical areas [28].

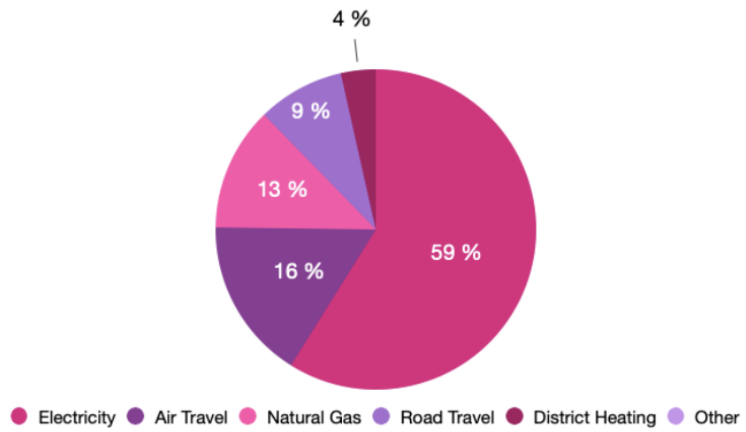

Figure 8: BNP Paribas breakdown by type of greenhouse emissions [28].

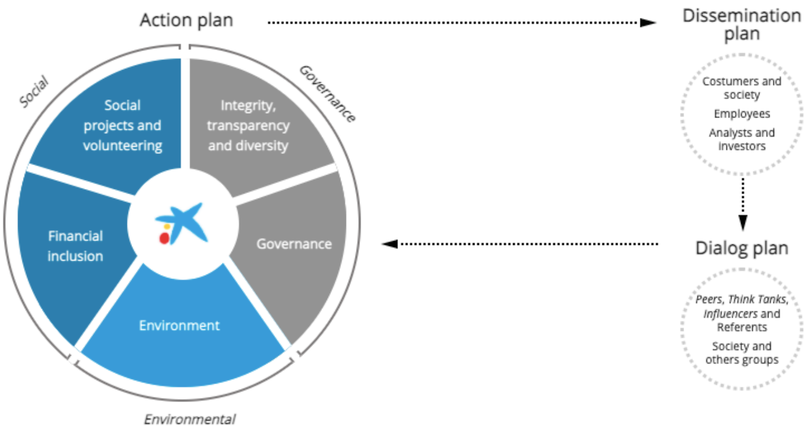

Figure 9: CaixaBank Socially Responsible Banking plan [38].

2017 PROGRESS		2020 TARGET
-37%	CO2e total emissions	-50%
95%	Renewable energy	100%
-45%	Waste production	-20%
-2%	Water footprint	-20%

Figure 10: ING's internal goals and commitments for 2020 [23].

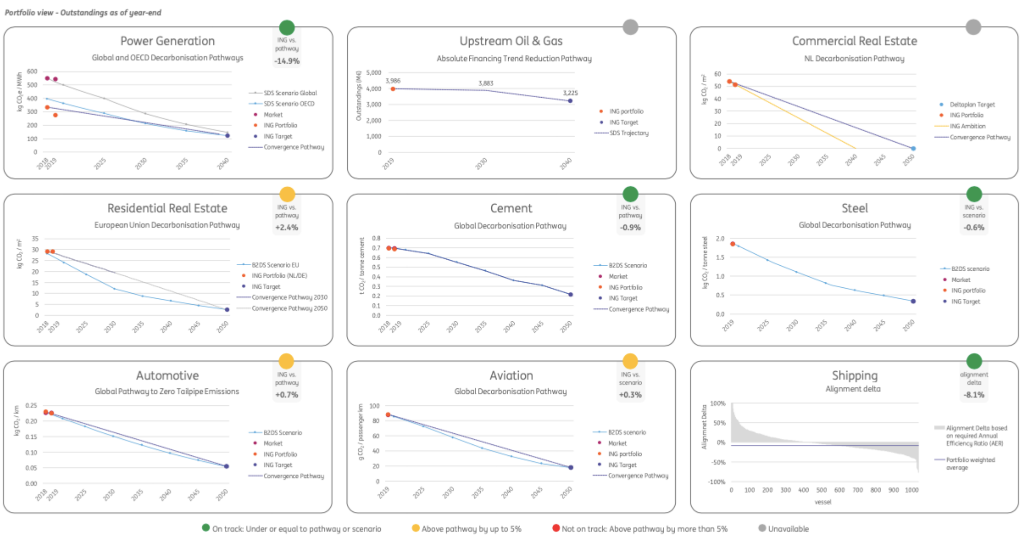

Figure 11: ING's climate alignment dashboard (by sector) [24].