

Banking on Banks 2024

ESG:

Meeting shifting
customer values

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Foreword

Industries across the globe are experiencing a profound shift, driven by regulatory bodies as well as evolving consumer expectations around ethical and environmental responsibilities.

Nowhere is this more apparent than in the financial services sector. In the UK alone, it is estimated that the investments held by the biggest banks and investors emit 805 million tons of carbon per year.¹

In an era where climate change, sustainability, and corporate ethics are top of mind for so many, consumers are understandably demanding more from their financial providers. CRIF's latest Banking on Banks report looks at how environmental, social, and governance (ESG) principles are changing expectations and reshaping the landscape of banking, insurance, and financial services.

There has been growing recognition of the pivotal role financial providers must play in driving environmental and social change. Consumers now expect banks and insurance companies to not only reflect their values but support their efforts to lead more sustainable lives.

This third Banking on Banks report highlights a gap between consumer expectations and what financial institutions are currently offering. Despite the rising demand, many consumers feel that their providers are not doing enough to bridge the gap to ensure financial services are also sustainable services.

The report also looks at the widening generational divide in attitudes toward sustainability and transparency, revealing how younger consumers are increasingly willing to seek out new providers when their values are not aligned.



Consumers now expect banks and insurance companies to not only reflect their values but support their efforts to lead more sustainable lives

Those banks, insurers and other financial providers that work to meet these expectations will increase trust and loyalty among their customers, while bolstering their role in advancing efforts to combat climate change and promote more ethical and transparent standards in financial services.

With this report, CRIF has set out key insights for providers to help them better align their services with their existing and prospective customers' values and ensure success in a world where commitments to the environment, sustainability and good governance are vital.

Sara Costantini

Regional Director for the UK and Ireland, CRIF

¹ New estimates of carbon emissions from the UK's finance sector | Cambridge Institute for Sustainability Leadership (CISL)

Introduction

Shifting ethical and environmental expectations on financial services

In its 2023 report, CRIF looked at the importance of the environment and other ESG-related factors when it came to financial services and consumer attitudes.

The results found that high proportions of individuals across all markets wanted to bank with a provider that protects the environment, helps them understand the impact of their own spending habits, and what action they can take to ensure their impact on the planet is positive.

This year, CRIF has gone a step further, gauging exactly what motivates consumers in relation to their values and ethics, how this translates into expectations on banks and insurers, and the risks of failing to meet these expectations.

The report looks at the growing generational divide around ESG-related issues and how they are likely to continue informing the decisions that younger consumers make. It also delves into the differences between markets, where consumers in some countries place more importance on efforts by financial providers to support sustainability and promote transparency in their business.

As with CRIF's previous reports in 2024 (looking at topics of credit and debt; and data and trust), this report moves beyond Europe to include the US to allow a wider global view. The US is included in this year's survey while Spain, which was surveyed in 2023, has been omitted. CRIF's research now covers 7,000 nationally representative adults across six major economies: Austria, France, Germany, Italy, the UK, and the US.



Consumer attitudes are shifting, especially as the impacts of climate change become more apparent

The results, together with the evolving legal framework, set out a clear range of objectives for financial providers. Consumer attitudes are shifting, especially as the impacts of climate change become more apparent and the conduct of large companies is increasingly scrutinized. Consumers are not only expressing disdain for those who fail to meet their own personal values but are showing a willingness to act. For younger consumers, switching to a provider who better meets their expectations on transparency, sustainability and ethics is increasingly common.

Banks and insurers who meet these demands, while enabling their customers to further their own green credentials through their products and services, can better retain their customers and also attract new ones.

Chapter One: Consumer behavior on the environment and financial services gap

Environmental and ethical concerns, alongside other ESG-related issues, are of growing importance to consumers, increasingly shaping their behavior and are influencing decisions across various aspects of their lives.

A recent study by McKinsey and NielsenIQ found that 78% of consumers in the US regard living a sustainable lifestyle as important to them.² The importance people place on the environment and sustainability is echoed globally too, with the Peoples’ Climate Vote 2024 – the world’s largest standalone public opinion survey on climate change – indicating that 56% thinks about climate change-related issues on a daily or weekly basis.³

CRIF’s own research across the US and Europe looks to understand how people have specifically altered their day-to-day activities to live more sustainable, ethical and environmentally conscious lives, as well as the variations between countries.

Actions taken by consumers in the last 12 months to reduce their personal carbon emissions / combat climate change

| | % YES |
|---|-------|
| Began or increased recycling efforts | 34% |
| Had shorter showers to save water | 33% |
| Ate less meat and / or dairy | 27% |
| Started to walk more to avoid using a car or public transport | 28% |
| Cycled rather than using a car or public transport | 18% |
| Switched to sustainable energy sources for their home | 11% |
| Invested their money in environmentally responsible investments | 8% |
| Used an app or service to calculate their carbon footprint | 7% |

² Consumers care about sustainability—and back it up with their wallets | McKinsey & Company
³ Peoples’ Climate Vote 2024 | United Nations Development Program

Overall, 76% of consumers have taken steps to help combat climate change or reduce their carbon footprint over the past year. It is notably higher in France and Italy, where 87% and 86% respectively have engaged in such activities. The numbers are lower in the US at 70% and in the UK at 63% but remain significant. Common actions include beginning or increasing recycling efforts (34%), taking shorter showers (33%), and reducing meat or dairy consumption (27%).

Some countries were more likely to take these types of action than others. For instance, Germans were the most likely to cycle more (27%), while Austrians were highest for switching to more sustainable forms of energy in their homes (17%).

Despite making changes to daily life, there is a distinct gap when it comes to environmentally focused financial actions. On average only 8% of consumers are currently putting their money into environmentally responsible investments. This number rises slightly to 13% in the US and 11% in France but remains relatively low overall. Equally, only 7% of consumers say they have used apps or similar services from their financial provider to calculate their carbon footprint.

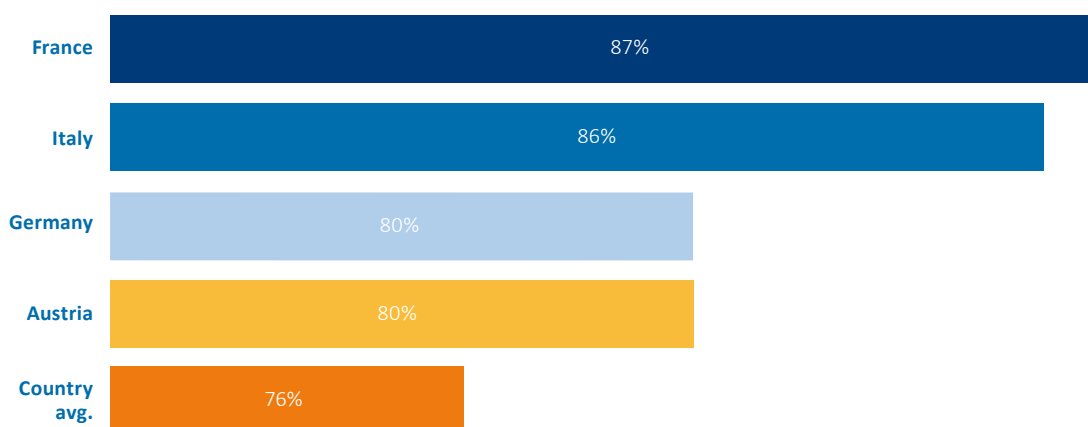


only 8%
of consumers are currently putting their money into environmentally responsible investments

This discrepancy highlights a clear challenge for providers and their customers. While many consumers are making environmentally conscious choices in their everyday lives, they potentially lack the awareness or resources to apply the same ESG-related principles to their financial management.

As a result, CRIF has found growing expectations on financial providers to align with consumers’ own ethical and environmental values. At the same time, consumers are increasingly looking to their financial providers to bridge the gap, by offering greener, more personalized services and products that align with their values and can help them reduce the negative impact of their financial activity on the planet.

Top countries where people have taken at least one action to reduce their carbon emissions



Chapter Two: Growing expectations on financial providers

Consumers are more aware than ever of the environmental challenges facing the world, and many are taking personal actions to reduce their impact.

Alongside this, there is an increasing expectation that businesses, including financial institutions, should also play a major role in mitigating environmental damage, while upholding high ethical standards in how they operate.

Research conducted by PwC found that 83% of consumers believe companies, rather than just adhering to ESG principles, should actively engage in shaping best practice in these areas.⁴ Similarly, a UK study by Deloitte found that a business’s commitment to sustainability has a significant influence on consumer trust.⁵

Countries where consumers are most likely to want to use financial providers that protect the environment



In line with the above findings, CRIF’s research showed that six in ten (59%) consumers would be more likely to use a financial provider that acts as a force for good in society. This sentiment was particularly strong in Italy (70%), followed by France (65%) and the US (63%). Furthermore, when choosing a new financial provider, more than a quarter (28%) of consumers consider whether the company is responsible and ethical, with this figure rising to 43% in the US.

Most consumers in all markets list transparency as a key factor, with 71% indicating they would be more likely to use a provider that is transparent about its operations. Specifically, in the US and Italy, this figure rises to 81%, reflecting a strong desire for openness in how providers conduct their business; 61% in Germany and 62% in the UK consider it a priority.

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Consumers expect financial providers to act to protect the environment, maintain transparency, and adhere to high ethical standards”

The differences in expectations across different regions and markets is potentially due to some being more directly affected by the impacts of climate change, or variations in the ethics and conduct of businesses. For example, while 48% of consumers say they would be more likely to use services from companies that actively protect the environment, this proportion increases to 64% in Italy and 56% in France while it is lower in the UK (41%) and Austria (43%).

Moreover, 50% of consumers want their financial providers to offset any polluting activities through initiatives such as reforestation. This is particularly pronounced among younger and middle-aged consumers, rising to 57% for 25- to 44- year olds.

What is clear is that across all markets, a significant proportion of consumers expect financial providers to act to protect the environment, maintain transparency, and adhere to high ethical standards. The trend toward greater accountability and responsibility within the financial sector is undeniable, especially for younger generations.

⁴ Beyond compliance: Consumers and employees want business to do more on ESG | PwC
⁵ The Sustainable Consumer 2023 | Deloitte

Chapter Three: Generational demand for greener, more ethical services

Consumers expect financial providers to align with their own ethical and environmental values.

There is a clear generational divide emerging, with younger demographics leading the call for ethical and environmentally-minded financial services. For example, 55% of consumers aged 18-34 say they are more inclined to choose a financial provider that actively protects the environment, compared to just 44% of those aged 55 and over.

Percentage of consumers that are more likely to use a financial provider that protects the environment (by age)

| 18-24 | 25-34 | 35-44 | 45-54 | 55+ |
|-------|-------|-------|-------|-----|
| 54% | 55% | 50% | 47% | 44% |

This gap highlights the changing attitudes toward sustainability and the perceived role of financial institutions in addressing environmental challenges, with younger consumers increasingly making financial decisions based on these factors. Not only are consumers taking personal actions to combat climate change, but they are also seeking greener and more ethical products from their financial providers.

Over half (54%) of consumers now want their financial providers to offer greener services, including investment options in environmentally friendly companies or to take out climate-conscious insurance cover. This demand is even stronger among younger consumers, with 65% of those aged 18-34 expressing interest in these offerings.

In addition to seeking greener products, consumers want support on how to better align their financial lives with their personal values. Nearly half (46%) of consumers want advice on changing their spending habits to lower their impact on the environment, rising to 63% of 18-34-year-olds.

Similarly, 45% of consumers would like to understand how their spending impacts the environment, with this increasing to 57% among 18-34 year olds. Half (50%) of young and middle-aged (18-44) consumers want to better understand their carbon footprint, compared to just 32% of those aged 45 and older.

“ A significant gap remains between consumer expectations and the services currently offered by financial providers ”

The growing demand for more ethical financial products and services reflects a broader shift in consumer values. More than half (57%) of 18-24-year-olds say they will share more data to help the environment, compared to less than a quarter (23%) of those over 55. This willingness highlights a key generational difference in attitudes, with younger consumers potentially prioritizing ethical and environmental outcomes over data sharing and privacy.

Despite this growing demand, a significant gap remains between consumer expectations and the services currently offered by financial providers. A high proportion of consumers (83%) report that they have not received any offers of tailored products or services in the last 12 months - a potential missed opportunity by banks and financial providers to meet the demands of consumers, particularly younger generations, when it comes to greener products and services.

As this generational trend continues, financial institutions will need to tailor their offering to meet the greater demand for ethical and environmentally friendly products, not to risk losing the trust and loyalty of their ethically driven consumer base.

Chapter Four: The risk of inaction on ESG

Consumers are considering a wider range of factors before selecting a financial provider, including ESG values and compliance.

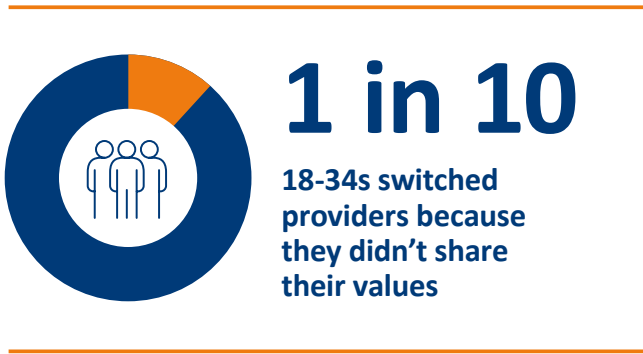
While only 12% of consumers currently say that they choose a financial provider based on its environmental efforts, this figure rises among younger individuals. Across all markets, one in six (17%) 25-34 year olds say they consider these aspects important, compared to just one in ten (10%) of those aged over 55.

There is also variation between consumers in different countries, with 15% of Italians showing stronger preferences for environmental credentials, a higher proportion than any other country surveyed.

Despite greater sustainability awareness, only 12% of consumers say they have noticed financial service providers talking about their environmental initiatives and related ESG activity. Again, Italy comes out highest, with 15% of consumers having seen communications about their providers’ environmental efforts, with the UK at just 9%.

Overall, 13% of consumers say that they would switch to a new provider if their current one was found to have not had good environmental practices, with the figure rising significantly to one in five (19%) for those aged 18-34.

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For providers that want to retain and reach new customers, ensuring their practices are aligned with consumers’ values is now crucial



The findings suggest that while some providers may adopt sustainable practices, they are not communicating these efforts to their customers effectively. There is an opportunity for banks and insurance companies to set themselves apart by better articulating their ESG initiatives. If not, younger generations that are more open to sustainability will act if they believe a financial provider does not align with their values.

On top of this willingness to act, there is a sizeable number of younger consumers who say they have already taken steps to switch financial providers, moving away from ones which they perceive to not align with their values. Among those aged 18-34, 13% say they have switched providers in the last 12 months because of this.

Poor environmental credentials can harm reputation and impact customer retention, as an increasing number of younger consumers show a willingness to vote with their feet. There is in turn significant potential for client acquisition who are seeking out providers that prioritize ESG compliance.

For providers that want to retain and reach new customers, ensuring their practices are aligned with consumers’ values is now crucial.

Spotlight: ESG in insurance



More than half (54%) of consumers globally said they would like their insurers to offer green financial services, including climate-friendly cover. This increases to two-thirds (65%) of 18-34 year olds, with the highest market being Italy (68%), the US (59%) and France (58%).

In May 2024, CRIF and Insurance Post surveyed UK commercial insurers to get insights into how ESG data is being used to drive growth, further sustainability and protect reputation or improve compliance.⁶

The results found that only 18% of insurers surveyed felt that ESG was wholly embedded in their products and services, meaning most insurers had yet to fully embrace ESG in working practices.

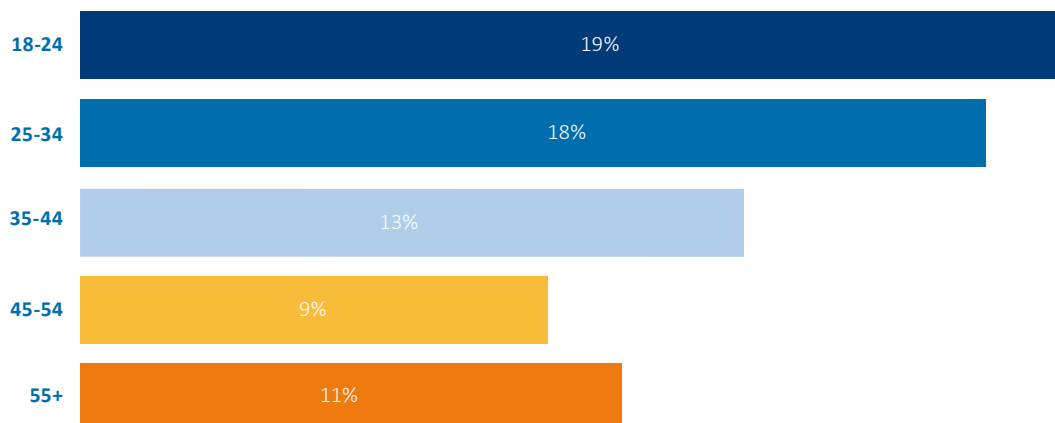
While around a third of insurers said carbon emissions were a climate change risk they evaluate in pricing and underwriting, the ones that are failing to take ESG into account are potentially compromising their reputation.

Some examples of green insurance products already available on the market are:

- Sustainable Business Insurance:** Coverage solutions designed to support environmental sustainability, including policies tailored for renewable energy initiatives, protection for commercial EV charging stations, and specialized underwriting for sustainable building projects in the construction sector.
- Green Home Insurance:** Insurance policies that offer incentives, such as discounts, for homeowners who incorporate eco-friendly practices, like installing solar panels or using sustainable building materials during construction or renovations.
- Eco-friendly Auto Insurance:** Policies that reward environmentally responsible driving, offering reduced premiums for electric or hybrid vehicle owners, or programs aimed at encouraging lower emissions and reduced driving frequency.

The impact of ESG in insurance will continue to grow and it is vital that more firms work to embrace it.

Age groups most likely to switch providers if they were found to not have environmental practices



⁶ ESG Spotlight: Ethics, talent and underwriting profit – how ESG can help insurers | Insurance Post

Conclusion

Meeting customer needs and helping them further their values

There is a substantial and growing interest from consumers in living in a more sustainable way. This is especially the case for younger generations, who will likely live with the consequences of climate change.

This attitude is reflected in numerous aspects of their lives, including their financial decisions.

Consumers are increasingly seeking out products and services that align with their values. Yet despite this rising demand, the financial sector has not yet fully met the expectations for ethical and sustainable products. There is a noticeable gap between what consumers are looking for and what financial providers are currently offering.

Banks and insurance companies have a significant opportunity to bridge this gap by offering more environmentally friendly financial products. They could develop more eco-friendly insurance cover, climate-conscious or green investment products to match consumers' shared ambitions to support sustainable initiatives. It is also a way to allow consumers to make climate-conscious choices to reduce their impact and contribute to protecting the environment.

But it is not enough to simply offer these products; financial providers should think about new ways to promote their services and communicate them more effectively.

For example, green financial products could be made more appealing if they come with incentives, like lower interest rates, discounts, or rewards for eco-friendly behaviors.



There is a noticeable gap between what consumers are looking for and what financial providers are currently offering

Financial providers can play a key role in helping consumers understand the impact of their financial decisions and evaluate their risk more effectively.

Lastly, increasing transparency about a company's operations and ESG commitment is essential for building trust. Consumers are more likely than ever to choose a provider that is open about how it operates and the values it aims to adhere to.

By acting in these key areas, financial institutions can better meet the shifting expectations of consumers and the growing demand for ethical products, all while boosting trust and fostering stronger relationships with current and new customers alike.

About CRIF

CRIF is the leading provider in continental Europe of consumer and business credit information, with over 30 years of experience in credit reporting.

A key global player in integrated decisioning solutions, we support over 10,500 financial institutions, 600 insurance companies, 90,000 business and 1,000,000 consumers across 50 countries.

AISP certified in 31 countries, CRIF enables banks and other financial institutions – including insurers and alternative lenders – to take their digital services to the next level, helping them harness open banking data, advanced analytics and ESG compliance.

Through its connections to over 3,000 banks and analytics based on over 200 KPIs, CRIF is helping providers to understand their retail and business customers in more detail than ever before, and with unprecedented speed and accuracy.

Combining global experience in financial services with the agility and innovation of a fintech, CRIF provides financial organizations with the solutions to offer their customers a full and seamless digital journey.

Among CRIF's priorities is our commitment to helping financial institutions to:

- Leverage a customer-centric approach to increasing long-term value: unlocking a better and deeper knowledge of the customer base to establish a new paradigm of relationship.
- Provide a new financial model that is open, modular & data driven: by taking advantage of the enabling power of technology (big data, mobile experience, open APIs) we provide financial institutions and their customers with innovative services.

Survey methodology

Opinium Research, on behalf of CRIF, surveyed 7,000 consumers across the United States and European countries (Austria, France, Germany, Italy and the United Kingdom) between 18th and 26th April 2024.

CRIF's holistic approach to the credit journey



- New Customer Acquisition
- Customer Onboarding
- Loan Origination
- Customer Management
- Collection

- Unlock the potential of the customers' digital journey: we help consumers who want to consciously manage their finances and have a smart, safe and personalized relationship with their financial providers.

CRIF provides the full digital journey through its suite of solutions, including:

- Digital Onboarding & Identity Verification
- Open Banking Suite
- Transaction Categorization & Advanced Analytics
- Decision Engine
- ESG Data & Analytics
- Budgeting, Account Aggregation & Cashflow Management Functionalities For Consumers And Businesses
- End-To-End Digital Insurance Platform

[crif.digital](https://www.crif.digital)

