



# Finance ClimAct : the tools to meet our ambitions

LIFE Project Number  
**LIFE18 IPC/FR/000010**

**Progress Report #1**  
Covering the project activities from 15/03/2019<sup>1</sup> to 31/08/2020  
corresponding to mid-phase 1



This project has received funding from the European Union's LIFE Integrated Project 2019 program

---

<sup>1</sup> Project start date

**This document is disseminated by the Finance ClimAct consortium**

**The consortium is composed of** l'Agence de la Transition Ecologique, le Ministère de la Transition Ecologique, l'Autorité des marchés financiers, l'Autorité de contrôle prudentiel et de résolution, 2° Investing Initiative, Institut de l'Economie pour le Climat, Finance for Tomorrow et GreenFlex

**Project coordinated by** Agence de la transition écologique, 20, avenue du Grésillé, BP 90406 | 49004 Angers Cedex 01

**Project direction and report preparation:** Mathieu Garnero (mathieu.garnero@ademe.fr), CALS Guilain (guilain.cals@ademe.fr)

*The European Commission is not responsible for any use that may be made of the information it contains.*

# Table of contents

- 1. Executive Summary ..... 2**
- 2. Introduction ..... 8**
- 3. Getting the project team up and running ..... 10**
  - 3.1 Description of the consortium ..... 10
  - 3.2 Description of the governance structure ..... 11
  - 3.3 Finalization of the partnership agreements ..... 12
  - 3.4 Finalization of the Baseline KPI report ..... 12
- 4. Improving retail investors’ capacity to integrate environmental objectives into their investment choices ..... 14**
  - 4.1 Enabling financial product selection, based on sustainability criteria (C1) ..... 14
    - 4.1.1 Progress summary ..... 14
    - 4.1.2 Main achievements to date ..... 15
    - 4.1.3 Main findings to date ..... 15
    - 4.1.4 Attention points ..... 17
    - 4.1.5 Perspective and next steps for end of phase 1 (Q1 2021) ..... 18
  - 4.2 Capacity building on the suitability assessment test and retail client information provision (C6) ..... 18
    - 4.2.1 Progress summary ..... 19
    - 4.2.2 Main achievements ..... 19
    - 4.2.3 Main findings ..... 20
    - 4.2.4 Attention points ..... 21
    - 4.2.5 Perspective and next steps for end of phase 1 (Q1 2021) ..... 22
- 5. Integrating climate issues into FIs decision-making processes ..... 23**
  - 5.1 Building capacity in climate risk management and stress-testing (C2) ..... 23
    - 5.1.1 Progress summary ..... 23
    - 5.1.2 Main achievements ..... 24
    - 5.1.3 Attention points ..... 24
    - 5.1.4 Perspective and next steps for end of phase 1 (Q1 2021) ..... 25
  - 5.2 Building FI’s capacity on climate disclosure (C3) ..... 25
    - 5.2.1 Summary of progress to date ..... 25
    - 5.2.2 Main achievements ..... 26
    - 5.2.3 Attention points ..... 26
    - 5.2.4 Perspective and next steps for end of phase 1 (Q1 2021) ..... 26
  - 5.3 Building capacity on climate-related disclosure and management supervision (C4) ..... 27
    - 5.3.1 Progress summary ..... 27
    - 5.3.2 Main achievements ..... 28
    - 5.3.3 Main findings to date ..... 29
    - 5.3.4 Attention points ..... 30
    - 5.3.5 Perspective and next steps for end of phase 1 (Q1 2021) ..... 30
  - 5.4 Capacity building on climate-target setting (C5) ..... 31
    - 5.4.1 Progress summary ..... 31
    - 5.4.2 Main achievements ..... 32
    - 5.4.3 Attention points ..... 33
    - 5.4.4 Perspective and next steps for end of phase 1 (Q1 2021) ..... 33
  - 5.5 Climate-transition financing in industry (C7) ..... 34
    - 5.5.1 Progress summary ..... 34
    - 5.5.2 Main achievements ..... 34
    - 5.5.3 Main findings to date ..... 36

5.5.4	Attention points .....	37
5.5.5	Perspective and next steps for end of phase 1 (Q1 2021) .....	38
<b>6.</b>	<b>Communication, dissemination and transfer activities (WP E).....</b>	<b>39</b>
6.1	Progress summary.....	39
6.2	Main achievements .....	39
6.3	Attention points .....	40
6.4	Perspective and next steps for end of phase 1 (Q1 2021).....	40
<b>7.</b>	<b>Progress regarding complementary actions .....</b>	<b>42</b>
<b>8.</b>	<b>Appendix 1 – List of deliverables.....</b>	<b>45</b>

# 1. Executive Summary

## *Project objectives*

Finance ClimAct is a LIFE Integrated Project dedicated to the implementation of sustainable finance tools and methodologies. It will contribute to the implementation of both the EC's Action Plan for Sustainable Finance of 2018 embedded within the "Green Deal" and France's sub-plan on sustainable Finance from the National Low-Carbon Strategy ("SNBC"). The two plans are largely convergent and the project will contribute to the implementation of most actions contained in these two plans. Finance ClimAct is an unprecedented programme with a total budget of €18 million, including €10 million in funding from the European Commission, which will run until the end of 2024.

In order to contribute to our transition to a low-carbon and climate-resilient economy while managing the climate risks to which it is exposed, climate considerations must be accounted for in decisions made at various points of the financial system. To achieve this objective, the Finance ClimAct project will develop the tools, methods and new knowledge enabling:

- retail investors to integrate environmental objectives into their investment choices,
- financial institutions and their supervisors to integrate climate issues into their decision-making processes and to align financial flows with energy-climate objectives.

Based on these tools, the consortium will also support various stakeholders' capacity building to close the double knowledge gap between financial experts and environmental experts and will promote the transfer to other EU Member States.

## *Project launch*

While Finance ClimAct formal start date is March 2019 for the purpose of costs eligibility (a number of actions framing work had started at that time) actual project kick-off occurred in November 2019 with the first meeting of the Steering Committee (SteerCo) and the Grant Agreement was formally signed at the beginning of December 2019. The governance structure of the project is now established and main project-level communication tools will soon be operational (including the project web site).

The hiring of staff by co-beneficiaries occurred mainly between Q4 2019 and Q2 2020. As of end of June 2020, 14 full-time new recruits have joined the project. While the recruitment campaign was quite successful, the initial delay in the launching of the project combined with the compelling time of the hiring process, has led to some postponing of the calendar.

## *An unprecedented context*

Several external factors have created challenges for project implementation between Q4 2019 and Q3 2020. From December 2019 to January 2020, France faced major strikes which, at times, brought mass transportation systems to a full stop. Starting March 16, French authorities enforced a complete three-months lockdown as a reply to the COVID-19 health crisis. The health situation is still not back to normal, with a generalization of remote work and limitations on in-person meetings and events.

Most work packages made progress in spite the situation: meetings were moved online, facilitated by the generalization of online tools. As a result most work streams are on time to reach their key deliverables and milestones. Nevertheless, certain actions for which in-person

interactions were required (or at least more instrumental) – such as engagement with new stakeholders and dissemination of results to large array of players, training programs – have been either slowed down or delayed for the time being. In addition, moving in-person events to online formats has been time-consuming.

The Covid-19 health crisis could also have profound, longer-term, implications on the sustainability agenda. As an answer to the unfolding economic crisis, the European Union (EU) and its Member States have implemented unprecedented economic support measures and have agreed to roll out massive stimulus packages in the coming months and years. Governments have an unprecedented opportunity to profoundly transform our economy and accelerate its decarbonization. In parallel, European institutions have decided to address the risk of carbon leakage posed by the lower ambitions of our international partners (through a carbon border adjustment mechanism) and the risk of social crisis in regions most dependent on carbon-intensive industries (through the Just Transition Funds).

*Advances on the front of sustainable finance*

On the front of sustainable finance, a number of important steps were taken since end of 2019. At the European level, the European Commission (EC) announced its Green Deal in December 2019 and concluded two major consultations: one on the future revision of its Sustainable Finance Strategy and one on the overhaul of the Non-financial Reporting Directive. The European Investment Bank launched the revision of its Climate Bank Roadmap. Last but not least, the regulation establishing the Taxonomy for sustainable activities was enacted in the beginning of July 2020 and Delegated Acts defining technical screening criteria will be published in 2020 and 2021.

Those evolutions set the scene for the pursue of our work and are the source of challenges as well as opportunities. The current situation has led to a reset of priorities that has sometimes reduced the bandwidth of our partners when it comes to discussing climate issues. The timeline of the taxonomy implementation limits the potential for an EU Ecolabel deployment truly effective before 2022. Stimulus packages create a potential demand for the type of sectoral outlooks built through industrial Sectoral Transition Plans. The inclusion of climate consideration within the recovery plans is essential to keep sustainable finance goals.

*Project achievements to date*

The following achievements must be highlighted:

Two responses to the <b>consultation on the EU Ecolabel</b> were produced and a deep-dive analysis on the central <b>questions of impact and transition financing</b>
The first survey was published regarding the <b>compliance of financial products marketing practices</b> in terms of sustainability claims with regards to retail investors’ expectations
Almost 100 mystery shopping visits conducted at banking outlets to assess the <b>suitability assessment questioning of retail investors</b> by their advisors
Two online tools have been framed for a more transparent financial sector (with expected launch before end of 2020): the <b>Climate Transparency Hub</b> dedicated to gather and analyse climate reportings and the <b>Sustainable Finance Observatory</b> which will collect and monitor data on climate financial institutions’ commitments
A detailed technical <b>review of the methodologies available to measure portfolios’</b>

**alignment** with low-carbon trajectories and temperature goals was published

Two industrial STPs are under way, with preliminary results already available regarding a **decarbonisation pathway for the cement industry** – accounting for the industry’s inputs

The INVEEST program made progress with more than **100 attendees to in-person training sessions to date and more than 500 e-learning attendees**

## 2. Introduction

An orderly transition to a low-carbon and climate-resilient economy requires a rapid shift in the capital allocation in the EU. Driving the integration of climate mitigation and adaptation considerations in the financial system is critical to achieve this objective, as reflected in the EU High Level Expert Group on Sustainable Finance report, and the EC Sustainable Finance Action Plan, and related regulatory packages.

Sustainable finance and, more specifically, the mobilisation of the financial sector in support of climate goals has emerged as a key topic on the policy-makers agenda over the past seven years. France has contributed to major advances in the field of sustainable finance, notably through the emission of a 7€bn (the largest at the time) sovereign green bond in 2017, by introducing the Energy Transition Law (LTECV) of 2015 and by introducing the Greenfin label (ex Label TEEC) for funds. The LTECV's Article 173 created the first regulatory framework for investors to disclose their contribution to climate goals. Article 173 also defined and specific requirements to strengthen investors' climate information reporting with information about significant indirect emissions and climate risks management. These early actions largely inspired the action plan of the EC.

However, sustainable finance is still an emerging topic, and major challenges remain:

- The development of metrics, accounting frameworks and labels still needs to progress. In this field, the articulation between research, private sector deployment and policy-making proves crucial to overcome technical knowledge and innovation gaps, data unavailability, lack of common understanding on key terminologies and lack of communication between separate fields of expertise.
- More broadly sustainable finance faces a 'double knowledge gap': experts in the field of the environment (environmental ministries, environmental agencies, consultancies and think tanks) have usually limited knowledge in finance. On the other hand, experts in finance and related regulation (finance sector, supervisors) have limited knowledge on environmental issues and related measurement approaches. For both sides, significant implementation challenges relates to the complexity and entanglement of the regulatory texts

In this context, the mobilisation of financial institutions on climate has increased but many challenges remain. Financial institutions lack a clear measurement framework to set climate targets, get public recognition for it, and implement them in a way that ultimately lead to actual greenhouse gases (GHG) emission reductions in the real economy (i.e. by investee companies). The situation is even more challenging for retail investors who suffer from both the asymmetry of information and a lack of financial literacy. although a number of financial supervisors have now integrated climate risk and sustainability into their missions and activities, they still face the following challenges: climate risks being primarily long-term risks, they do not fit well in existing regulatory risks frameworks and the links between climate policy goals and their supervisory mandate remains partly indirect and difficult to articulate.

As a result, the effectivity of the two flagship measures of sustainable finance in France – the Article 173 and the Greenfin label – remain limited:

- While the quality of the data published under article 173 by investors and asset managers has generally improved, there is still room for progress and enhanced

comparability. According to the review published in July 2019 by the Economy and Ecological Transition Ministries, AMF and ACPR, among the 48 largest players of the place “only 50% publish all of the information that is required under the application decree” of article 173 of the law;

- As of June 2020, 47 funds held the Greenfin label, for a total asset under management (AuM) of 14 €bn (or 0,1% of total assets under management in France);

In addition, it is still largely unclear how these initiatives contribute to actual GHG emissions reduction in the real economy, which is one of the key policy objectives behind these measures.

In order to address these challenges, the overall objective of the project is to contribute to capacity-building among financial supervisors and regulated entities. The strategic objective behind the project is to create a “pilot market” in Europe for a number of tools and methodologies, before they are shared with other Member States and/or scaled up by the EC.

The project is divided in 7 work packages (themselves divided into several actions):

- Two work packages aim at improving retail investors’ capacity to integrate environmental objectives into their investment choices:
  - **C1** - Enabling the selection of retail financial products based on sustainability criteria, through **labelling schemes for financial products**
  - **C6** – Facilitating the **integration of sustainability assessment into financial advice**, building upon market research and mystery-shopping visits to develop a suitability assessment questionnaire and an online platform
- Five work packages accompany financial institutions and their supervisors for the integration of climate issues into their decision-making processes and the alignment of financial flows with energy-climate objectives:
  - **C2** – Supporting methodological developments and capacity-building for the **conduct of climate stress-tests** by supervisors and regulated entities
  - **C3** – Enabling **climate-related scenario and risk analysis** of financial institutions portfolios in French financial institutions
  - **C4** – Supporting the gradual improvement of climate-related disclosure quality, comparability building upon a “**Climate Transparency Hub**”
  - **C5** - Supporting banks and investors with the **implementation of long-term climate-related targets** and monitoring their contribution to climate targets
  - **C7** – **Building capacity and enabling energy-efficiency lending** through the development of technical tools and capacity-building program to accompany industrial financial directors and bankers with the structuring of projects.

### 3. Getting the project team up and running

The project team has been working to fully implement legal arrangements, monitoring procedures and the governance structure necessary for sound project management and conduct. In addition, we completed the first round of individual cost statements fillings and submitted them to external monitoring team.

#### 3.1 Description of the consortium

The consortium comprises eight co-beneficiaries, which are all in charge of implementing the actions in-scope, combined with the key stakeholders that have the expertise to support them and ensure the link with European and international projects and stakeholders – notably via complementary actions. The table below describes the rationale for selecting each co-beneficiary.

Entity	Role in the implementation of the target plan(s)	Role in the project
	<p>The ADEME is the agency in charge of implementing the environmental public policies, with a focus on applied research, development of methods and standards and support to financing of low carbon and green investments. Within the project, contribution to several SNBC actions (labels, innovation on metrics, the improving of disclosure methods, access to green financing) are specifically in its scope.</p>	<p>The ADEME leads the project, and is particularly involved in the contribution to the design of the eco-label for financial products (C1), the set up of the Climate Transparency Hub (C4) the development of a climate target-setting program for the finance sector (C5) the development of sectoral transition plans as well as technical assistance on low carbon financing (C7) and an advertising campaign targeting retail investors (E1).</p>
	<p>The CGDD provide research and new tools to support the implementation of environmental policies, and coordinate stakeholder dialogue. Within the SNBC, CGDD's has a focus on advancing labels and the improvement of climate disclosure methods</p>	<p>CGDD is involved in all committees and more specifically involved in the design of the eco-label for financial products (C1) and the set up of the observatory on climate-related disclosures (C4)</p>
	<p>The AMF regulates and supervises listed companies, financial markets, asset management companies, investment products and financial advisors. Information to retail investors, the future ecolabel and the integration of sustainability into financial advice and product disclosure, as well as climate-reporting, are specifically in its mandate.</p>	<p>The AMF will benefit from capacity building activities to integrate sustainability into its supervisory functions (C4.4). It will be more specifically involved in the design of the eco-label for financial products (C1), (C2), the governance of the observatory on climate-related disclosures (C4) and the action on financial advisors (C6).</p>
	<p>Being in charge the supervision of french banks and insurance companies, both from a micro and macro-prudential perspective, the ACPR is the primary authority in charge of ensuring that accurate information and governance of climate risk management are carried out by financial firms and stress tests regularly implemented in both the banking and the insurance sectors.</p>	<p>The ACPR is involved in the work on climate stress test (C2) and will benefit from capacity building activity to integrate the technical knowledge of other beneficiaries on sustainable finance (C4.4)</p>

	<p>2DII is the first and leading global think tank on sustainable financial regulation. It introduced climate scenario analysis in the regulation (Art 173) and in supervisory practices, and is a member of the EC HLEG. It is the main coordinator of H2020-funded projects on sustainable finance and the main partners of ESAs on the topic.</p>	<p>2DII provides its expertise and tools in most actions, with a focus on analysing labels schemes legal consideration (C1.2), developing stress-tests (C2), providing climate scenario analysis capacity to inform disclosure (C3) and target-setting (C5), leading the integration of sustainability into financial advice via research, tool development and mystery shopping visits (C6) and leading a mass mobilisation campaign to raise awareness across retail investors (E1.2).</p>
	<p>I4CE is the think tank of the French public banks CDC and AFD, specialised on climate economics and sustainable finance. It was an observer to the HLEG and develop the recommendations for the next French plan for sustainable finance.</p>	<p>I4CE provides will provide guidance on climate disclosure best practices (C4) and co-develop a climate stress testing model in partnership with Banque de France.</p>
	<p>Finance for Tomorrow is an initiative led by Paris EUROPLACE to promote sustainable finance in France and internationally. Most relevant stakeholders are members of F4T and it organizes the Climate Finance Day.</p>	<p>Building on membership base and its convening capacity and the Climate Finance Day outputs, F4T will host the stress-testing working group (C2), co-host the working group on financial advice (C6) and track the climate commitments of French financial institutions (C5)</p>
	<p>French leader in consulting and financial services on sustainability, it notably implement eco-efficiency programs in partnership with banks</p>	<p>In partnership with ADEME, Greenflex will deploy a capacity Building program dedicated to the financial community to accelerate the financing of energy efficiency and low carbon projects in industry (C7).</p>

### 3.2 Description of the governance structure

On a day-to-day basis, a team composed of a Project Director and a Project Coordinator based in ADEME Paris’ office coordinates the work. A full-time project assistant assists them regarding administrative and financial tasks.

**Figure 1. Summary of governance structure and membership**



In addition, a specific governance structure was set up aimed at facilitating technical discussions and exchange of information, day-to-day and overall monitoring of project advancements, strategic decision-making based on relevant insights from both the French-

and EU-level executive and regulatory bodies. The governance structure of the project includes the following bodies:

- A **Steering Committee** which is in charge of reviewing project progress and validating key messages and substantial changes to project plan or consortium. It comprises at least one representative per member of the consortium ;
- One **Work Package Committee** for each of the Work Packages, in charge of discussing technical aspects and providing information and feedbacks various project advances, including deliverables and KPIs ;
- A **Public Advisory Panel** responsible for reviewing project Progress reports, providing feedbacks and insights into project orientations and facilitating dissemination and transfer of results to other stakeholders and Member States.

### 3.3 Finalization of the partnership agreements

The partnership agreements (PAs) are now being finalized. They bring clarity regarding the responsibilities of each beneficiary and timing required for submission of the required data and supporting documents relative to both technical and financial reporting to the EC. PAs also define the project governance structure and decision-making procedures. They outline the processes to be followed with regards to framing forthcoming deliverables and communications, and reviewing and validating project deliverables. They also touch upon typical matters of intellectual property rights, personal data protection, use of logos or trademarks, etc.

### 3.4 Finalization of the Baseline KPI report

Since project start, the consortium has worked on refining key performance indicators, setting up baseline values, identifying data sources and designing governance and methodology for data collection and treatment.

These elements were collectively reviewed with other co-beneficiaries to guarantee their good appropriation. Main revisions to the initial KPI database include:

- The specification of units used for monitoring (14 KPIs)
- The clarification of KPI descriptions most appropriate to avoid confusion, fit the regulatory context or data availability (19 KPIs)
- The addition of one KPI regarding the “share of retail investors sensibilized to the array of sustainable investments strategies”
- The revision/determination of a baseline (11 KPIs). More time will be needed to set up a baseline value for:
  - o Annual reports on banks’ and institutional investors’ long-term climate targets (C5.1 and C5.2) will enable us to set the baseline for KPI 16 “*Number of financial institutions have adopted climate-related targets aligned with the Paris agreement, and use a framework based on the methodological frameworks developed by the beneficiaries*”
  - o The quantitative study to be produced in C6.1 will enable us to set the baseline for KPI 9 “*share of retail investors conducting a new suitability test who allocate a part of their investments to products with sustainability characteristics*”

- A quantitative analytics tool will be developed to set the baseline for KPI 13  
“*ranking of France applied research on sustainable finance*”
- The target value has been defined or revised for ten KPIs, in order to reflect updated calculations and preliminary framing of the actions to be conducted

Main achievements:

- Establishment of a **KPI Monitoring Committee** – first meeting held in June 2020
- Finalization of the **Baseline KPI report** (see attached)

## 4. Improving retail investors’ capacity to integrate environmental objectives into their investment choices

The project team has made important progress with regards to work packages C1 and C6. It sent several contributions to the EC consultations on the EU Ecolabelling scheme and started coordinating work for a timely delivery of deliverables regarding retail investors’ preferences, a model for suitability questionnaire and an online platform for product selection assistance. The project team has finalized and submitted to the external monitoring team the first batch of corresponding deliverables.

### 4.1 Enabling financial product selection, based on sustainability criteria (C1)

This work package aims to support the EC in the development of the EU Ecolabel (“EUE”) on financial products, its deployment in France, the evolution of the French green labels in this new context, and more broadly to enable the comparison of retail financial products on sustainability criteria.

The action will provide the EC with the technical analysis required to develop an EUE that fits the purpose to redirect financial flows towards the ecological transition. This analysis will be complemented by technical analysis on the subsequent adaption needs of the French labels, ensuring complementarity with the EUE. It will also be supplemented by providing concrete guidance to market participants on the introduction of the ecolabel to the market.

The success of the ecolabel will be ensured through extensive research on transparency requirements, on legal implications of product preferences of retail investors. Technical analysis will be produced on the impact of eco-labelling on investment decisions and the related contribution of such mechanisms to French and EU decarbonization goals.

#### 4.1.1 Progress summary

Phase 1 deliverables	Status
<b>Q2 2020:</b> Technical response to each EC consultation on the label (reports, 5-10 pages)	<b>Completed</b>
<b>Q4 2020 :</b> Report detailing stakeholder engagement and impact	<b>On time</b>
<b>NEW! Q2 2020 :</b> Intermediary report outlining legal considerations	<b>Completed</b>
<b>Q4 2020:</b> Report outlining legal considerations (30 pages paper)	<b>Delayed to Q2 2021 (building on the intermediary report above)</b>
<b>Q1 2021:</b> Technical Report on the introduction of the EU ecolabel in France	<b>Delay expected</b>
<b>Q1 2021 :</b> Reports of the working group (30 pages)	<b>Delay expected</b>
Phase 1 Milestones	Status
<b>Q2 2020:</b> Deployment of the EU ecolabel	<b>Delayed</b>
<b>Q2 2020:</b> Working group kicked-off in April 2020	<b>Delayed</b>
<b>Q1 2021:</b> 10 eco-labeled products produced	<b>Delay expected</b>

#### 4.1.2 Main achievements to date

As expected in the project calendar, our work under C1 was focused on answering the EC's 2<sup>nd</sup> round of public consultation regarding the technical report on the EU ecolabel (released in December 2019).

Following upon the ad hoc working group organized by the EC on April 4<sup>th</sup>, two answers were submitted by the consortium:

- One reflected the positions of France's ADEME, AMF, and both the Economy and Finance Ministry as well as the Ecological and Solidary Transition Ministry;
- 2DII also submitted a position paper, reflecting findings developed in other deliverables.



French position  
post AHWG - EU Fir



C1.1\_Draft-feedback-  
Report-on-the-sec

In order to develop their position papers, consortium members not only relied on internal expertise but also on inputs from academics, industry practitioners, environmental non-profit organizations, consumers associations and public decision-makers. Multi-stakeholders consultations were organized by consortium members at both the French and EU level to collect data and feedback:

- In January and March, the ADEME convened two Ecolabel Mirror Group meetings to present the content of the latest version of the Ecolabel technical report and collect feedback on specific questions ;
- In March, 2DII organized a workshop focusing on recent research papers published by Kölbl et al. regarding the impact of sustainable investment strategies on ESG practices by companies/investees.

Furthermore, consortium members have been able to present their positions during ad hoc working groups and EUE board meetings or during informal conversations with DG FISMA, the JRC, dwelling on specific technical points, at various times (data availability, inclusion of a CAPEX criterion, scope of eligibility and review clause, etc.). In particular, ADEME has been participating over the summer in meetings of the sub-working group set up by the EC (discussions have covered criteria 1 ambition level and the inclusion of a sub-criterion on companies in transition).

In parallel, 2DII has produced a first legal analysis (C1.2), based on a detailed analysis of marketing claims regarding environmental performance by a large sample of funds.

#### 4.1.3 Main findings to date

***CGDD, AMF and ADEME (together with the French Economy Ministry) support further refining of the EUE criteria within the current framework proposed***

While CGDD, ADEME and AMF are convinced that EUE criteria should be rooted in the Taxonomy, the lack of data available regarding the taxonomy-compliant investable universe, has been the source of important challenges in designing EUE criteria that strike the right balance between realism and ambition. In order to address this issue it appears relevant to

consider a revision of the EUE criteria as soon as the first round of companies taxonomic data is published in 2022. Based on feedback from the industry, CGDD, AMF and ADEME have also supported evolutions such as: inclusion of additional asset classes (infrastructure, private equity, real estate) and funds sold to professional investors, reinforcing the inclusion of companies whose business model is transitioning by taking into account the share of taxonomy-compliant CAPEX as an alternative to taxonomy-compliant turnover, and clarifying the stakeholders' engagement criteria.

***While from a macroeconomic point of view, the EUE proposal appears effective to AMF, ADEME and CGDD, renewed attention must be given to individual funds' impact claims***

Measuring Sustainable investors' positive impact on the environmental performance of economic activity and identifying the conditions of its maximization is a relatively new field in scientific literature and further work is needed to strengthen our understanding. Kölbl's meta-analysis of the scientific literature on sustainable investors' positive impact used by the JRC identifies three possible mechanisms to achieve investor impact (achievable through their investment strategy) - capital allocation, engagement and indirect impacts - and identifies some determinants for maximizing it.

The existing scientific literature points to a lack of data and the need for additional work to strengthen the empirical evidence on the effectiveness of these mechanisms. It also provides indications of how to devise Ecolabel criteria likely to achieve:

- A potential macroeconomic-level investors' impact through the capital allocation mechanism (criteria 1 and 2) and shareholders engagement on (criteria 4)
- An EUE contribution to the reduction of the environmental impact (decarbonization of the economy, redirection of financial flows) of the economy, in line with the main objective of the EU consumption and production policy

AMF, ADEME, CGDD and DG Trésor find that these findings are reflected in the EC's proposals.

At the microeconomic level however, understanding to what extent an individual fund / investor may contribute to the transformation of a company's business model or to the unlocking of financing in a particular sector presents more challenges. Models and statistical tools cannot be applied in order to estimate the magnitude of the effect. Theories of change relying on macroeconomic work may be applied, but attribution of the impact ex post is plagued by methodological limitations. Estimating a potential impact ex ante is limited by the same problems compounded by important levels of uncertainties.

Such methodological limitations underscore the need for carefully-worded claims of asset managers regarding investor impact at the level of a specific fund / asset manager. Unsupported claims may indeed damage the credibility of the Ecolabel in the eyes of retail investors, which would indirectly also damage its ability to contribute to overarching policy goals.

***On the other hand, 2DII raises important concerns with the current EUE framework***

According to 2DII position paper, both the envisioned Ecolabel on financial products and the second technical report are misaligned with the Ecolabel regulation. 2DII recalls the principles mentioned by the regulation (preamble) regarding an Ecolabel scheme: it is "intended to promote products with a reduced environmental impact during their entire life

cycle and to provide consumers with accurate, non-deceptive, science-based information on the environmental impact of products”.

In this regard, 2DII highlights the fact that the current level of empirical evidence available on sustainable finance strategies is way too limited to allow for a satisfactory appreciation of such an environmental impact regarding financial products, even in the case of a probabilistic approach.

2DII also raises concerns related to the effectivity of the EUE deployment: while the Regulation sets the indicative target of “10-20 % of the products available on the Community market in terms of environmental performance at the moment of their adoption” to be covered by an EUE technical criteria, 2DII also claims that they do not know of any “retail product available on the market today that would fully meet the requirements of a future Ecolabel consistent with the Ecolabel Regulation neither (i.e. delivering a measurable investor impact).”.

### *EU retail funds’ environmental impact claims do not comply with regulatory guidance*

According to 2DII surveys conducted in France and Germany, 40% of retail clients declare that they want to have an environmental impact through their savings (see section 4.2 for more). 2DII explains that a wide array of sustainability-focused investment strategies have been developed and rolled out by practitioners to meet this expectation, none has been explicitly designed to deliver this outcome and they do not provide any measurement of their effectiveness in delivering direct impact on the economy.

In the second half of 2019, 2DII reviewed “230 European retail funds, representing €139 billion in assets under management (AuM), explicitly presented as having a link to environmental characteristics through the implementation of socially responsible investing (SRI), green thematic and green bond approaches.” Based on an analysis of both marketing materials and the investment strategy of these funds, 2DII concludes that 52% of the funds “made environmental impact claims, almost all of which were misaligned with the applicable regulatory guidance” failing either the “substantiation test” or the “accuracy test”.

2DII also raises the need for more academic research on the issue and the recognition of the possible legal risks to funds managers that have been laying out confusing and/or misleading claims of environmental impact.

Link to the study : <https://2degrees-investing.org/resource/marketing-claims/>

#### 4.1.4 Attention points

The design and implementation of EU ecolabel requires overcoming several difficulties:

- **Critics to EUE proposals:** For 2DII, the Ecolabel on financial products is not compliant with regulation (risk of serving misleading claims and inability to reach the 10% target);
- **Investors’ impact Label :** the project team needs to anticipate the articulation of the EUE with the new label under consideration by the CGDD for financial products that focus on “transitioning businesses”;
- **Expected delays:** given the fact that the EUE’s criteria are expected to rely on the EU Taxonomy technical screening criteria, the EUE will only become fully effective after

company-level data becomes available in relation to their taxonomy compliance – that is by 2022. In addition, the development of the Ecolabel technical criteria themselves have been delayed and a 3<sup>rd</sup> Technical report is now expected for the fall of 2020;

- **Taxonomic data unavailability:** the fact that taxonomy criteria are not yet definitively set up and the lack of data on the share of taxonomy-compliant turnover/ CAPEX create important challenges for impacts studies and consider eligible funds. We are expecting first insights from a study currently conducted by the German government on the 400 biggest EU capitalizations, and from a study currently in progress by Novethic.

#### 4.1.5 Perspective and next steps for end of phase 1 (Q1 2021)

Previously mentioned delays to the EUE implementation and deployment raise questions for the timing of one of the next deliverables – the *Technical report on the introduction of the ecolabel in France* (due in Q1 2021).

Instead we expect that solicitations regarding the design of the future EUE will continue in the month to come (through a potential consultation on a 3<sup>rd</sup> Technical report by the EC, or through ad hoc specific discussions). Our efforts will focus on the following topics:

- Studying the inclusion of a CAPEX criterion, based on previous work conducted for the ACT methodology and the Sectoral Transition Plans ;
- The CGDD has launched discussions around the design of a “Investors’ Impact Label” that would focus on funds investing in companies that engage into decisive, rapid transition of their business models (while being excluded from the EUE under the current criteria proposal) ;
- ADEME will devise a proposal for the project team to contribute to the deployment of the taxonomy in order to ease the deployment of EUE (starting in 2021 with the climate change mitigation and adaptation objectives). This work rely on NFRD implementation by French companies and the availability and use of taxonomic data for market participants ;
- 2DII and ADEME are currently working on a framing note for additional work to be conducted, in the French context, on environmental allegations by financial products suppliers and their compliance with the regulatory framework. Both regulatory and economic analyses will be conducted, building on inputs from a multi-stakeholders working group that is about to be launched.

We do not expect activities related to the promotion and deployment of the EUE to start before Phase 2 of the project.

## 4.2 Capacity building on the suitability assessment test and retail client information provision (C6)

The objective of this work package is to support the integration of sustainability-related questions into the suitability assessment test of financial advisors. Successful integration will require a full understanding of retail investors’ preferences, financial products available and financial advisors’ practices, as well as the development of a new suitability assessment questionnaire and an online tool facilitating products comparison based on the results of the questionnaire, and finally the involvement of the supervisory authority.

To do so, the action will include a set of annual quantitative consumer surveys, and the set-up of focus groups that will enable the understanding of sustainability preferences in the face of

the current product availability. The analysis of consumer sustainability preferences will be made available in a series of reports and compared to the characteristics of financial products available on the market. In parallel, and building on the findings of the analysis, a working group to develop a sustainability assessment questionnaire and related guidance document will be created. The working group will include representatives from distributors, asset managers, academics, NGOs, regulators and supervisors.

The supervisory authority will additionally commission research to inform sub-actions covered in this work package and integrate sustainability criteria in their regular control visits to advisors to complement the results of this work package with their regulatory perspective.

To reach the general public and increase the impact of the action, the team will develop a public, free and non-commercial tool with two applications: i.) a web-based interface for retail investors allowing them to match their preferences (based on the suitability questionnaire) to products and consequently invest on them. ii.) an interface for products distributors that can be integrated in their system and used to steer the product offering.

4.2.1 Progress summary

Phase 1 deliverables	Status
Q4 2019 : Validated program of studies’ topics	Completed
Q4 2020 – Minutes and video recording of 12 focus groups in 2020	Partly completed
Q4 2020 recommended default questionnaire	Delayed to Q3 2021
Q4 2020 guidance document (30 pages)	Delayed to Q3 2021
Q1 2021 – Minutes of the working groups meetings	Delayed to Q4 2021
Q1 2021: outline of online public platform	On time
Q4 2022 report on retail clients and beneficiaries’ sustainability preferences (40 pages)	Partly completed and published
Phase 1 Milestones	Status
Q3 2020 – recruitment of focus group members	On time
Q4 2019 - Working group kick-off	Completed
Q1 2020: Kick-off software design project	Delayed
Q1 2020: Selection of the provider / decision to internalize	Delayed
Q4 2019: First mystery shopping visit conducted	Completed

4.2.2 Main achievements

The project work regarding retail client information relies on existing initiatives led by AMF and 2DII, that will be implemented at a larger scale thanks to project funding.

***Better understanding of consumers’ sustainability preferences and how financial products should address them***

Building on two previous studies commissioned by AMF and published in 2019 (not included in the project budget), a new round of publications is expected in 2021, based on the layout validated in June 2020. The two specific topics envisaged are (i) a study on the impact of

existing SRI (socially responsible investment) in retail investors' investment decision, and (ii) a study on the intelligibility of the information on ESG matters included in the documents provided to the retail investors to support their investment decisions. Findings of the studies will help inform supervisors' understanding of retail investors' sustainability preferences. They will inform the supervisors' regulatory response, in particular regarding guidance and enforcement of the integration of sustainability into financial advice. The work will support the definition and promotion of good practices in marketing and other documentation provided to retail investors regarding ESG matters.



Framing note for  
actions\_C6.2.docx

For more see the framing note:

2DII conducted a series of consumer-focused surveys in 2019. The first round of survey led to the publication of a preliminary report titled “A large majority of retail clients want to invest sustainably” (once the surveying campaign is completed, a dedicated final paper will be published).

### ***Integrating sustainability considerations into financial advice***

Of the overall campaign of 700 mystery-shopping visits that is expected over the duration of the project, 2DII has already carried out 90 since 2019. The report summarising the visits key output is currently being drafted.

Development of an open-source public online tool to perform a suitability assessment and compare products will build upon previous work already conducted in the German context. Framing (scoping and budgeting) of the work is currently in progress.

### ***Suitability assessment questionnaire addressing non-financial investment preferences***

F4T and 2DII have set up a working group dedicated to the subject and laid out the work program of that working group. The group kick-off was held in July 2020 (10 meetings anticipated).

The WG's main objective will be to contribute to the development of a “suitability assessment questionnaire” and its associated “implementation guide”. 2DII will propose a draft questionnaire to the group based on previous work conducted in Germany. The working group - composed of financial institutions, NGOs, consumers' associations, public institutions, etc. – will review the draft and provide feedback.

The working group will also provide a forum to discuss findings of other actions of the work package (research on consumers' preferences, mystery-shopping visits, etc.).



LIFE - Groupe de  
travail Test d'adéquation

For more information, see the framing note:

### **4.2.3 Main findings**

## ***AMF 2019's studies show 41% of French population is interested in responsible finance***

Key findings from the quantitative study on retail investors preferences:

- More than 7 out of 10 respondents reckon that it is important for financial institutions to take into account the energy transition and sustainable development
- Responsible financial products remain largely unknown. One out of two respondents would like to know more regarding these products, their benefits and drawbacks compared to classic products
- Four out of 10 respondents are interested in such products, with a stronger interest among people aged 35 or below
- Better information is the primary drive for a stronger level of confidence regarding such products, in the context of limited trust related to labels
- While only 7% of respondents declare that they “fully” trust labels for financial products, the Ecolabel is by far the most largely known label (57% of respondents know the Ecolabel for consumer goods) and 46% of respondents favour its application to financial products

Key findings from the qualitative study on marketing documentation readability:

- Concepts that are key for SRI practices – such as governance or non-financial analysis – are not well-understood by retail investors (and often not defined in the products)
- Retail investors appreciate having more information on the selection criteria used by asset managers and the underlying businesses, within the KID

Link to the press release and studies (also available in English): <https://www.amf-france.org/fr/actualites-publications/communiqués/communiqués-de-lamf/finance-responsable-41-des-français-sont-intéressés>

Results have been shared with other EU regulators, notably during the European Supervisory Authorities' Consumer Day in June 2019.

***Two-thirds of French and German retail investors say they want to invest in an environmentally responsible manner***, according to a series of consumer-focused surveys conducted by 2DII in 2019. Other key findings :

- 43% of respondents interested in sustainable investing said their main goal is to have an “environmental impact” in the real economy
- 64% of retail investors accepted a hypothetical -5% trade-off on their total returns in order to invest sustainably.

Link to the study : <https://2degrees-investing.org/wp-content/uploads/2020/03/A-Large-Majority-of-Retail-Clients-Want-to-Invest-Sustainably.pdf>

### 4.2.4 Attention points

The inclusion of extra-financial considerations in financial advisory is a complex issue as it deals with a closely regulated activity, in the context of still limited knowledge of retail investors preferences and behaviors:

- The taking into account of extra-financial preferences, while required in MIFID II, is considered as a second order consideration compared to financial performance, in order to avoid mis-selling;

- Financial advice activities in France require regulatory certification / authorisation, which poses a constraint for the future ambition of the online tool developed by 2DII;
- The general public is not familiar with sustainable products and the specificities of various sustainable investment strategies. Questionnaires and tools catering to retail investors must be carefully worded in order to ensure actionable results from the answers provided. On that specific concern, the participation of consumers' association and sociologists is crucial.

#### 4.2.5 Perspective and next steps for end of phase 1 (Q1 2021)

Regarding research on retail investors' preferences, 2DII will pursue its surveying campaign towards finalization of the report and complement it with the results of the focus groups, while AMF will kick off the two studies envisioned in March 2021.

In addition, 2DII will analyse the characteristics of the financial of a hundred of financial products available in France to understand the extent to which they answer to investors preferences and introduce the results in a dedicated report. A comparison will be made with the conclusions of 2DII other report and the outputs will be summarised in a policy paper providing recommendations on the topic.

AMF and 2DII will schedule a workshop dedicated to mystery-shopping visits, in order to coordinate the two approaches and ensure complementarity.

Framing of the online tool will be complete by the end of phase 1. Complementary funding from ADEME is expected to cover additional tasks that were not budgeted in the proposal at the time of project kick-off. Once finalized in September 2020, the action will be integrated as complementary action to the LIFE project (through the end of Phase 1 amendment request).

The working groups dedicated to the definition of suitability questionnaire will meet on a monthly basis until the end of Q2 2021.

## 5. Integrating climate issues into FIs decision-making processes

The project team has made important progress with regards to work packages C4, C5 and C7. The Climate Transparency Hub and the Sustainable Finance Observatory will be launched by the end of 2020. Preliminary work on the first sectoral transition plan (focused on cement) was published. Work related to climate-stress tests is in the framing phase and work in C3 has been delayed by difficulties to mobilize the financial sector.

### 5.1 Building capacity in climate risk management and stress-testing (C2)

Stress tests programs were born in the 90s and are one of the most preferred tools used by supervisors and financial institutions to assess risk management and insure financial stability, in particular to check the adequacy of financial portfolios with prudential requirements in the context of an economic downturn or financial crisis. These programs face new challenges when trying to anticipate the consequences of climate change: a longer time horizon, high uncertainty regarding future climate events, various sector-specific and region-specific impacts, etc. Central banks and supervisors have been gradually including climate risks in their stress tests scenarios, starting with the exercise carried out by the Bank of Netherlands in 2018. From 2020 on, the Bank of France and the French Authority of prudential control and resolution (ACPR) have also carried out a pilot climate exercise with banks and insurance companies.

The Finance ClimAct project contributes to building expertise and capacity at financial institutions and supervisors in order to carry out climate stress tests programs, through the production of guidelines and the development of relevant tools and metrics. These programs will enhance their understanding of climate-related financial risks. As such, this approach is a priority of the European Commission Action Plan on Sustainable Finance and of the French National Low Carbon Strategy for measuring climate risks.

To do this, consortium members working on this action – ADEME, I4CE, 2DII, F4T and ACPR - will work on the development and improvement of tools, methods and guidelines necessary for the development of frameworks allowing the implementation of climatic stress tests. By capitalizing on their own research, their tools and the work in progress, members of this working group will propose, in this framework, approaches and analysis schemes, through the publication of articles and reports.

Thus, as part of the Finance ClimAct project, 2DII is expected to capitalize on the work that the think-tank has already carried out with various supervisors by continuing to co-develop its models with financial institutions and by making them available to them via additional PACTA modules and other tools. In parallel, I4CE and ADEME will work in collaboration with the Banque de France and more generally the Network for Greening the Financial System (NGFS) to produce methodological work in this area, supporting capacity building.

This approach aims at improving the current methodologies and, beyond that, the knowledge of banks, insurance companies, supervisors and central banks in the field of climate risk management and the development of future stress-tests programs.

#### 5.1.1 Progress summary

Phase 1 deliverables	Status
Q1 2021 : Framing paper on macroeconomic modelling for climate stress tests	On time
Q4 2020 : Outline of strategy for banks and insurers involvement	On time
Q4 2020: a report on the selection of climate-related scenarios for prudential stress-testing at banks (replaced by Report on transmission channels of low carbon transition risk)	On time
Q1 2021 : Minutes of the working groups meetings	On time
Phase 1 Milestones	Status
Q4 2019 : selection of voluntary banks	Delayed
Q1 2020 : selection of voluntary insurers	Delayed
Q2 2020: creation of a working group for Phase two	Completed
Q1 2020: working group kick off	Completed

### 5.1.2 Main achievements

Whereas the 2020 pilot exercise made by ACPR is not in the scope of the project, this first climate scenario analysis is a structuring element for French financial institutions and research work on this topic. In the same vein, the last publications on the NGFS (June 2020) provides supervisory guidance on climate stress-testing goals and methodologies. The Banque de France initiated a working group, in which I4CE has been participating.

At this stage, 3 workshops have been achieved in H1 2020: 2 dedicated to the presentation of the pilot exercise by ACPR and 1 dedicated to the methodologies elaborated by 2DII within PACTA. This sharing phase is necessary before launching specific researches on climate scenarios.

Furthermore, we put in place a collaboration with OECD to a program of four conferences during the next two years dedicated to climate scenarios. The first event is scheduled for the 3<sup>rd</sup> and 4<sup>th</sup> of September with the participation of ACPR, 2DII, ADEME and F4T.

Link to the event page :

<http://www.oecd.org/environment/cc/oecdworkshoponclimatechangeassumptionsuncertaintiesandsurprises.htm>

### 5.1.3 Attention points

As climate scenarios and stress-testing are still in their infancy, there are several open questions and discussions at this stage to coordinate the work adequately at project level:

- **Work coordination:** there will be several works produced in parallel by 2DII, I4CE, ADEME and ACPR. The series of workshops animated by F4T in the context of the action C2.4 will ease the framing and restitution of those works. At this stage, the detailed roadmap of the Finance ClimAct work on climate stress-tests stills needs to be framed in Q3 2020.

- **Relevant calendar of publications:** few supervisory exercises have been conducted regarding climate scenarios or stress tests: there is a need to provide relevant studies and technical papers at the most adequate moment to influence the future prudential exercises.
- The lack of historical references and the level of uncertainties stemming from long-term horizons increase the dependency of scenario to models and assumptions. The choices of climate scenarios and risks covered in these scenarios could provide various business incentives for financial institutions. Depending on their mandates or goals, supervisors, researchers, NGOs and associations should elaborate divergent views on the most appropriated climate scenarios.

#### 5.1.4 Perspective and next steps for end of phase 1 (Q1 2021)

The French climate pilot exercise led by ACPR is an interesting case study for the project:

1. I4CE and ADEME will question the assumptions in the context of the C2.3 action and articulate proposals for future exercises ;
2. 2DII will seek to leverage its experience to accompany the implementation of this first exercise with financial institutions
3. Implementation and use of results will support capacity-building for various stakeholders (financial institutions, supervisors, researchers, etc.). “ST Working group” meetings facilitated by F4T will leverage this experience in coordination with the ACPR

In this context, prospective research at sector level and transition plans can provide a bottom-up view that can be used to define alternative scenarios.

The definition of scenarios is essential for both environmental and financial credibility of the exercise. At this stage, climate scenarios in the context of the pilot exercise are a tool to anticipate the impact of climate policy and the risk of delaying those policies. A top-down approach using a uniform price of carbon with linear increase is a common solution for macro-economic studies but can underestimate transition shocks. Furthermore, an aggregated approach at sectoral level can underestimate risks measured at a thinner level firm by firm with winners and losers given their strategy.

## 5.2 Building FI’s capacity on climate disclosure (C3)

The work package aims at supporting the implementation of Art 173, existing and future EU requirements, and TCFD recommendations, by providing open source tools on climate-related scenario analysis to banks, insurance companies, asset managers and pension funds through their respective federations. This action will allow federations to analyse and report on a yearly basis the contribution of its sub-sector of the finance sector to the National Low-Carbon Strategy goals and the Paris Agreement. The tools will be tailored to the needs of each type of financial institution and upgraded every year in time for the next reporting cycle, in order to incorporate the latest best practices in their reporting. The output of the action will be a dramatic increase of the number of financial institutions complying with the TCFD recommendations and the legal requirements, and the French leadership in the development of best practices globally.

### 5.2.1 Summary of progress to date

Phase 1 deliverables	Status
<b>Q4 2020:</b> sector-level report analyzing the contribution of different sub-sectors of the finance sector to the NLCS goals	<b>Delayed</b>
<b>Q4 2020:</b> organizations' reports covering the contribution of each organization participating in the initiative	<b>On time</b>
<b>Q4 2020:</b> Progress report based on annual one-day roundtable	<b>On time</b>
<b>Q4 2020:</b> report highlighting scope of updates to tool required and action plan	<b>On time</b>
<b>Q4 2020:</b> updated tool	<b>On time</b>
<b>Q4 2020:</b> steering committee minutes	<b>Delayed</b>
Phase 1 Milestones	Status
<b>Q1 2020:</b> Agreements for multi-annual scopes of work with each federation	<b>Delayed</b>
<b>Q4 2019:</b> Meetings with relevant financial industry groups to develop technical scope of upgrade	<b>Completed</b>

### 5.2.2 Main achievements

Work has focused on two aspects:

- Updating PACTA methodology. In 2020, 2DII kept working with the Katowice Banks (<https://2degrees-investing.org/the-katowice-commitment-one-year-on/>) and, based on the needs identified, it was agreed to develop a new version of the PACTA code for banks in order to make it available on-line. The code has been beta tested during the summer and launched in September 2020 with the related support documentation (guidelines, technical databases, training material etc.). The banks used it to perform scenario analysis and include the results into their Responsible Investment reports.
- Engagement activities. 2DII worked with the French Katowice Banks to involve other banks in France and a first meeting was held with the French Banking Federation (FBF). In this context, 2DII shared a Coal assets list with FBF for analysis of full banking sector exposure in Q3 2020 but the discussions are still under formalisation. In another hand, 2DII also kept engaging with the French Federation of Insurers (FFA) and the scope of work of the possible collaboration is still under validation. It could also include the Coal assets list. Finally, 2DII also reached the French Association of Asset Managers (AFG) but it was not possible to set a meeting with them so far.

### 5.2.3 Attention points

Regarding the pending discussion with federations, some of the work should be reconsidered:

- Dependency with finding an agreement / cooperation with bank and insurance federations. The use of PACTA in the context of the sustainable finance observatory (action C5.4) is not guaranteed at this stage.
- Limited reactivity at federations (in particular FBF and AFG) on their members. There is a risk to switch from a global approach steered by federations to more individual exercises with voluntary Financial Institutions.

### 5.2.4 Perspective and next steps for end of phase 1 (Q1 2021)

The key next steps will be the formalisation of the scope of work with the federations and the clarification of the links with the observatory. In the meantime, 2DII will keep engaging with FIs individually or through several initiatives (such as the Katowice Banks) to keep developing the use of PACTA and the development of new functionalities.

### 5.3 Building capacity on climate-related disclosure and management supervision (C4)

This work package aims at supporting the enforcement of climate-related disclosure requirements and supervisory work emerging from Art 173, the existing and future EU requirements as part of the EC action plan, and the TCFD recommendations.

Currently there is no standardized process established to track progress on the compliance of financial institutions to climate-related regulatory requirements as well as a process ensuring the continuous improvement of regulatory frameworks. Work to be conducted will address this gap, by establishing the first climate-related management and disclosure observatory, providing a review and assessment of financial institutions’ disclosure and annual overviews of the ‘state of climate disclosure in France’ with the goal to achieve full compliance of the market by 2024.

The work of the observatory will be complemented by the publication of a series of best-practice guidelines on metrics and disclosure practices that will support financial institutions in their efforts to comply with regulatory requirements and adopt best practices.

In addition, this work package covers to provision of dedicated trainings, specialized seminars and conferences to supervisory authorities – aimed at ensuring that the regulatory agenda is efficiently implemented and continuously improved.

#### 5.3.1 Progress summary

Phase 1 deliverables	Status
Q4 2020: Website featuring the reports and their assessment	On time
Q2 2020: Technical Review of Methodologies Assessing a Portfolio’s Alignment with Low-Carbon Trajectories or Temperature Goal	Completed
Q4 2020: Best practices report (around 30-page papers) with a target audience of financial institutions, public authorities and other relevant stakeholders.	Delayed to Q1 2021
Q4 2020: Material presented during training modules, training sessions dashboard	On time
Phase 1 Milestones	Status
Q4 2019 : International climate reporting awards	Completed
Q3 2020: First steering committee	Completed
Q4 2020: International climate reporting awards	On time
Q2 2020: First training	Completed
Q3 2020: Experts ready for secondments	To be reviewed

### 5.3.2 Main achievements

#### ***The Climate Transparency Hub***

Thanks to a dedicated governance animated by ADEME the project team has framed the climate reporting observatory renamed “**Climate transparency Hub**”.

The objectives of the Hub will be threefold:

- A centralizing platform for climate reporting exercises by financial institutions in order to increase the comparison of the information provided and to facilitate the role of assessing the compliance of supervisory authorities
- A showcase of best practices to increase the quality of information
- A tool to support competent authorities (AMF and ACPR) in their missions.

A process in three steps has been defined for the next years in order to first gather current reporting and progressively automate and standardize the reporting of financial institutions in order to ease transparency and comparison.

#### ***A review of portfolio alignment methodologies***

In the context of defining best practices and in order to anticipate the requirements of the future decree implementing Article 29 of Climate-Energy Law, the CGDD and WWF France commissioned an analysis of existing methodologies for assessing the alignment of a financial institution’s portfolio with the objectives of the Paris Agreement. The report, titled “The Alignment Cookbook”, was produced by the Institut Louis Bachelier and published in June 2020<sup>2</sup> with strategic inputs by I4CE. This report is the first of a series of reports commissioned by the French Ministry for the Ecological and Inclusive Transition (MTES) and WWF France to review the range of climate-related methods and metrics available to investors. A second report will examine the feasibility of introducing minimum requirements for the use of such metrics for reporting on climate risks and alignment (produced outside of the Finance ClimAct project by I4CE and funded by WWF).

#### ***Training modules for supervisors’ staff***

Three “experimental” training sessions were held at AMF during the first semester of 2020 focused on: the ACT methodology (by ADEME), the PACTA tool (by 2DII) and a general introduction on the challenges that climate change poses to the financial sector covering the key numbers and main challenges, transition scenarios, challenges related to climate (transition and physical) risk assessments and their integration in financial institutions’ decision making processes (by I4CE).

Furthermore, the project team has developed a program of training sessions to be deployed over the course of the project for supervisors staffing. A high-level training program has been designed. This program is going to be fully integrated into ACPR’s and AMF’s 2021 training sessions. The program shall be composed of 8 progressive training modules: 3 general knowledge modules, 3 technical modules and 2 tool modules (for ACT & PACTA).

---

<sup>2</sup> Julie Raynaud et al. “The Alignment Cookbook – a Technical Review of Methodologies Assessing a Portfolio’s Alignment with Low-Carbon Trajectories or Temperature Goals. » ILB 2020.

General Knowledge Modules	<ol style="list-style-type: none"> <li>1. Climate Change : Essential Knowledge</li> <li>2. Politics and Context of Climate Mitigation &amp; Adaptation</li> </ol>
Technical Modules	<ol style="list-style-type: none"> <li>3. Classifying Climate-related Financial Practices &amp; Reporting</li> <li>4. Green financial products for the public</li> <li>5. Climate-related Financial Risks &amp; Opportunities</li> <li>6. ESG &amp; Climate Strategies</li> </ol>
Tools Modules	<ol style="list-style-type: none"> <li>7. ACT Training Session</li> <li>8. PACTA Training Session</li> </ol>

In addition, detailed syllabuses have been finalized for two modules (Climate Change: Essential Knowledge [1] and Climate-related Risks & Opportunities [5]).

### 5.3.3 Main findings to date

#### ***Rising interest in portfolio alignment assessments and implied temperature rise metrics***

Following upon the Paris Agreement of 2015, there has been a growing interest and discussions around the concept of alignment for the financial sector – alignment on a temperature objective, alignment on the objectives of the Paris Agreement, alignment on a GHG emissions reduction pathway. As a consequence, “a large number of at times very different tools and assessment methodologies have emerged over the last five years [and] a rising number of investors are publicly reporting on the alignment of their portfolios with climate change related objectives, in particular with the trajectories needed to limit the increase in average global temperature to below 2°C.”

The report, however, underscores that the underlying analytical frameworks and methodologies that have been developed in this context still lack transparency and consistency, which “creates an obstacle to the credibility, comparison, and usefulness of the results.”

The report reviews and compares the various “alignment” methods and frameworks available today and fleshes out the following key findings:

- temperature alignment assessments are mathematical measures of the proximity between the climate performance of a portfolio and one or several temperature benchmark(s)
- Aligning a portfolio “with a temperature trajectory”, “with the temperature objective of the Paris Agreement” and “with the Paris Agreement” are not equivalent
- the usefulness of temperature alignment metrics as proxies for expressing transition risk and/or impact is a subject of debate
- “Aligning” the activities of a financial institution or actor is a process at both the strategic and operational levels
- The general recipe of temperature alignment assessments comprises four general steps (measuring portfolio’s climate performance, selecting a scenario, disaggregating that scenario into actor- or sector-level benchmarks, comparing results of step 1 and 3)

- Across different methodologies, the results of the assessments can hardly be compared or added up for communication purposes
- developing a consistent temperature alignment framework for cross-assets portfolios raises the issue of benchmark consistency
- Implied temperature Rise metric (ITR) is over-simplifying and misleading and can create disproportionate expectations and misunderstanding for the non-specialist.

These findings confirm the relevance and importance of the Climate Transparency Hub to review and enhance practices, in terms of consistency and comparability.

To watch [the webinar](#)

Link to the study: <https://www.louisbachelier.org/wp-content/uploads/2020/07/rapport-0207-mis-a-jours.pdf>

#### 5.3.4 Attention points

Regarding the Climate Transparency Hub, uncertainties remain regarding future legal and regulatory frameworks (both European and French) and how the Hub will fit into that:

- Existing climate disclosure requirements will be overhauled with the entry into force of the Sustainable Finance Disclosures Regulation (SFDR)<sup>3</sup> but also of the decree 29 of the Energy-Climate Law in France. Coordination between the Ministry that is in charge of publishing the decree and the project team is crucial, to make sure that the criteria of the Transparency Hub reflect the structure of the requirements laid out in the decree;
- The compliance and comparability needs will have to be reassessed in this new context, but also the implication of supervisors;
- The alignment cookbook, with its very detailed and quantitative analysis has shown a lack of maturity in climate metrics which weakens the expectation to harmonise practices;
- Climate-reporting practices at financial institutions evolve quickly, including through the progressive deployment of global initiatives such as the Task-Force on Climate-related Disclosures (TCFD);
- The upcoming revision of the European Non-financial Disclosures Directive and the work of the European Lab Project Task Force, set up in September 2020 to prepare work for the elaboration of possible EU Non-Financial Reporting Standards, mandated to EFRAG by the European Commission, could influence future requirements applicable to financial institutions.

Finally, the Covid-19 crisis has generated difficulties to define and implement the training program for AMF and ACPR, due to the limitation to plan the physical sessions.

#### 5.3.5 Perspective and next steps for end of phase 1 (Q1 2021)

With regards to the **Climate Transparency Hub**, work will focus on designing, launching and communicating around the online platform (the initial version will be online by the end of 2020 and available to the public beginning of 2021). The initial version will only be used to upload reports and display them. Over the longer term, additional analytical functions will be

---

<sup>3</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

developed. In addition, a short analytical note will be published identifying the range of climate reporting practices, with special focuses on more cutting-edges approaches.

The focus of the first paper to be published by I4CE by Q1 2021 provides a deep dive into methods available for climate transition risk analysis. The report will present different types of methodologies available and discuss the rigour of the assessment approaches available, the advantages and disadvantages of different choices in the construction of the assessment methods. The report will thus help institutions, in search of assessment methods for their reporting, in choosing the method that best fits their needs. The specific focus on transition risks was selected to complement two other already existing reports on physical risk assessment methods ([I4CE 2018](#)) and alignment with a low carbon trajectory methods ([ILB et al. 2020](#)). The three reports in combination shall therefore provide financial institutions with best guidance on how to use methods for the assessment of their portfolios and thus provide full enabling environment for good practices to be identified in 2021 as the climate transparency hub becomes fully operational.

Regarding the training program, the prototypes of the first four modules are planned for Q4 (#1 by late September, #2 by late October, #4 by mid- November, and #3 by early December) in order to test the concept and content of the trainings before larger-scale implementation. They may be held either in physical or webinar sessions, depending on the sanitary demands and restrictions.

#### 5.4 Capacity building on climate-target setting (C5)

The objective of this work package is twofold. First, to support climate target-setting and management by institutional investors and banks. Second, to support the follow up of those commitments at a global level in order to understand their contribution to the Paris agreement goals. It emerges from the need to provide a methodological framework to guide financial institutions in their will to set meaningful targets that drive GHG emissions reductions in the real economy. The action will notably enable the full implementation of the target setting requirements of Article 173, which is inexistent to do the lack of methodological framework.

Specifically, the action will develop a pilot target-setting framework, for banks and for institutional investors. It will provide the necessary tools to steer climate action with clients or investees, and guidelines on disclosing science-based targets and tracking them. The frameworks will be road-tested by a working group including banks and institutional investors. An umbrella working group composed of IP beneficiaries, financial institutions and relevant authorities will be created to enable coordination between pilot tests. Financial institutions not participating in the pilot will benefit from a series of guidelines that will be publicly available as well as the documentation resulting from the pilot.

A **Sustainable Finance Observatory (“Observatory”)** has been launched to track, analyze and consolidate past and current commitments as well as those emerging from the pilot, to compare them to the needs required to achieve the Paris Agreement goals. An annual report substantiating the results of the analysis will be published during the Climate Finance Day (on 29<sup>th</sup> of October for the next one).

##### 5.4.1 Progress summary

Phase 1 deliverables	Status
<b>Q3 2020</b> – report on targets published and tracked on an annual basis for at least three banks and three institutional investors	<b>Delayed</b>
<b>Q3 2020</b> - A guide to banks target setting (ADEME, 2DII), which will be updated once and one for institutional investors	<b>Delayed</b>
<b>Q4 2020</b> - A paper analyzing the outcomes of the pilot-test, the implications, as well as formulating policy recommendations (ADEME, 2DII), which will be updated once.	<b>Delayed</b>
<b>Q4 2020</b> – Minutes of the working groups meetings	<b>Delayed</b>
<b>Q4 2020</b> : Annual report (40 pages)	<b>On time</b>
<b>Q4 2020</b> : Webpage with dynamic visualization of commitments.	<b>On time</b>
Phase 1 Milestones	Status
<b>Q3 2019</b> : creation of the Observatory announced officially	<b>Completed</b>
<b>Q4 2019</b> – Identification and creation of banking and institutional investors working groups	<b>Completed</b>
<b>Q2 2020</b> : establishment of working groups and recruitment of members	<b>Delayed</b>

#### 5.4.2 Main achievements

##### *Pilot long-term climate-related target-setting frameworks*

A joint framing note of 2DII and ADEME to scope the C5.1 and C5.2 actions, clarifying the articulation between PACTA (target setting at portfolio level) and ACT (target setting at firm level) has been drafted. Along with this work, engagement activities with several banks and investors of ADEME and 2DII have helped prioritizing tools functionalities and future evolutions. More specifically, a working group named “Evidence For Impact” (E4I) has been set up to include financial institutions in the development of the methodologies and the tool. It includes several French institutions, among others BNP Paribas or Société Générale. The tools are currently being designed and the first of them should be available for the end of the year.

##### *The Sustainable Finance Observatory*

F4T has set up a Steering Committee for the Observatory (comprising representatives of all the key financial institutions federations (FBF, FFA, AFG, France Invest, ASF))<sup>4</sup> and has facilitated the operationalization of the Sustainable Finance Observatory.

A framing note – validated by the SteerCo of the Finance ClimAct project - defines the Observatory’s principles, governance and objectives. In particular, it states that an operational delegation is given to the SteerCo of the Observatory (mainly composed of F4T and the main federations) to implement the Observatory. In addition, an independent “Scientific and

<sup>4</sup> Observatory members include the ADEME and the French Association for Financial Societies (federation for consumers lending focused organizations)

experts’ committee” is set up to assess the quality of the data and robustness of the methodologies it is based upon provided by the Observatory. The committee will be in charge of reviewing the methodological proposals provided by the Finance ClimAct project (in the context of C5.3 action).

Four areas will be covered: low carbon financing, coal divesting, sustainable management and sustainable products.

**Figure 2. Scope of the data to be presented in the Observatory**

Financing/funding allocated to a low-carbon, climate-resilient economy	Coal divestment
Responsible management	Sustainable financial products

5.4.3 Attention points

The commitment of financial institutions will be a key driver of success in achieving Paris Agreement objectives. At the same time, the nature and tracking of commitment is essential to avoid greenwashing:

- The commitment of Financial Institutions is essential to extend the use of PACTA and ACT (in addition to the use of internal tools or other external solutions), as well as for the adaptation of the tools to fit the expectations of users
- The observatory will gather commitments and achievements of financial private sector. The quality and transparency of the information reported will rely on the good will of professional federations and their influence on their members
- ACPR and AMF will provide an independent review of the climate-related commitments of financial institutions that covers similar data as the observatory. The two exercises are conducted in parallel

5.4.4 Perspective and next steps for end of phase 1 (Q1 2021)

Financing transition and creating impact is a key ambition of the project. The link between ACT and PACTA is an ambitious objective to coordinate portfolio level objectives and engagement with companies comprised in the portfolio to promote climate strategy and effective transition. This link will be the basis of an impact-based target setting framework that we are currently designing and guidelines documentation should be available before the end of the year. This will be accompanied by a state of the art report of the current existing framework with respect to target setting.

The Observatory will be launched during the next Climate Finance Day, on 29<sup>th</sup> October, mainly in an online format presenting both (1) individual institutions’ commitments and (2) data aggregated at the sectoral level. The ambition (scope and measurement) of the Observatory will be progressively strengthened in future years, to include (1) a tracking of individual progress against commitments and (2) data on these commitments’ impact and additionality for the decarbonization of the real economy.

## 5.5 Climate-transition financing in industry (C7)

This work package aims at unlocking investments in energy intensive industries. It is driven by the need to provide tools and practical training to financial institutions which would otherwise classify profitable low-carbon projects as too risky to finance due to the lack of technical understanding of the project and its financing structure. This action will support the establishment of the low carbon strategy for financial institutions. To achieve the latter, this action will develop a model for financial institutions and companies that will allow to quantify the impact of industrial production on a set of transition scenarios. The model will be complemented by a series of 9 sectoral energy transition plans providing pathways for decarbonization. A series of workshops will be organized to ensure uptake by financial institutions. In parallel, capacity building programs and technical assistance will be provided to financial professionals in the form of trainings, decision making tools, and assistance on business case development and financial products development. These activities will mobilize the community of practitioners financing decarbonization projects and accelerate the growth of that community.

### 5.5.1 Progress summary

Phase 1 deliverables	Status
Q4 2020 : 2 sectoral transition plans	Delayed
Q4 2020 : Sectoral transition plan material presented at workshops for financial institutions	Completed
Q1 2020: Material presented at training programs dedicated to different kinds of financing professionals, training sessions dashboard	Completed
Q1 2020: 1 central web platform where business cases, decision making tools and best practice report will be made available	Completed
Phase 1 Milestones	Status
Q4 2019: Signature of the GreenDeal acting the financing community engagement	Delayed
Q4 2019: Launching of first training sessions for the 3 main curricula considered	Completed
Q1 2020: Validation of the methodology and set up of investment projects analysis	Delayed
Q4 2020: Validation of terms of reference of the model	Completed
Q1 2021 : 2 workshops conducted	

### 5.5.2 Main achievements

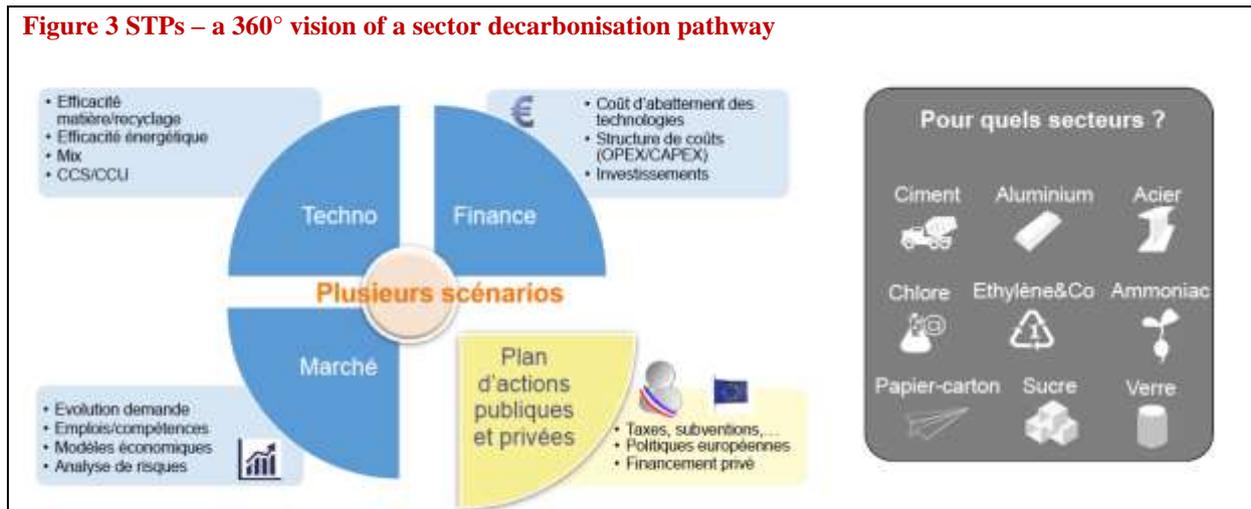
#### *Developing decarbonisation pathways for energy-intensive industries*

Regarding Sectoral Transition Plans (STPs), the cement STP will act as a prototype for other sectors. Work on the cement STP started early 2020 and has already achieved:

- a technico-economic modelling tool for cement – using insights from the literature and inputs from various industrial actors
- draft of a 4-pager presenting the initial results for the cement sector
- a first synthesis (30 pages) of the future Sectorial Transition Plan report

The work on the Aluminium sector has started off since end of April 2020.

**Figure 3 STPs – a 360° vision of a sector decarbonisation pathway**



Furthermore, in the context of post COVID19 economic recovery plan, ADEME has elaborated a toolkit to integrate the challenges of heavy industry regarding decarbonation:

- Build up knowledge and competences in the team
- Identify key challenges of sectors
- Elaborate first estimations on short term emission abatement potential

Sectorial 4-pages infographics on these topics will be publicly available before the end of the year.

Regarding the diffusion of this work towards financiers, several axes of collaboration are emerging:

- With the objective of ADEME and I4CE held a workshop to discuss the potential links between STPs and I4CE's work on transition risks. This collaboration will continue in the fall, as a specific document addressed to financing entities will be elaborated within the Cement STP report. The document will include an analysis of the transition risk for the cement sector and an overview of sustainable finance initiatives applied to this sector.

In particular, integration of EU Taxonomy technical screening criteria has already been discussed in the context of the cement industry, on the basis of the TEG final report. The following questions were discussed: How does the sector fair compared to the Taxonomic criteria? What investments would enable the sector to become fully taxonomy compliant? How should these criteria evolve over time? What are the potential discrepancies between climate change mitigation criteria and resource-efficiency criteria for certain industrial sectors ?

Exchanges with the DG-Trésor are expected to progress along with the further development of the Taxonomy criteria.

- In order for the STPs tools and results to be useful to a large panel of financiers, ADEME and 2ii held several meetings to seek synergies between the STPs, the ACT Initiative and the PACTA tool. Potential collaboration was found interesting on the cement sector to illustrate ACT and PACTA company reports or sectorial reports.

***INVEEST – capacity-building program for energy-efficiency and low carbon financing in the industry***

Work is completed on various aspects and the program is operational with a total of 109 trainees as of end of August 2020, 85 registered until end of December 2020, and 520 registrations to the e-learning as of end of August 2020.

Capacity building:

- Launch of the eLearning platform (accessible at : [www.inveest.org](http://www.inveest.org))
- Implementation of a 2-day face-to-face training (writing of materials including low carbon activities, test phase with 2 pilot banks)
- Recruitment of training organizations to participate in the implementation of the sessions
- Creation of a training management platform

Toolbox:

- Identification of practical tools to be made available to training participants but also to a wider public
- Finalization of the first 3 tools achieved, which will be tested by pilot banks before being made more widely available.

Transition Finance Community:

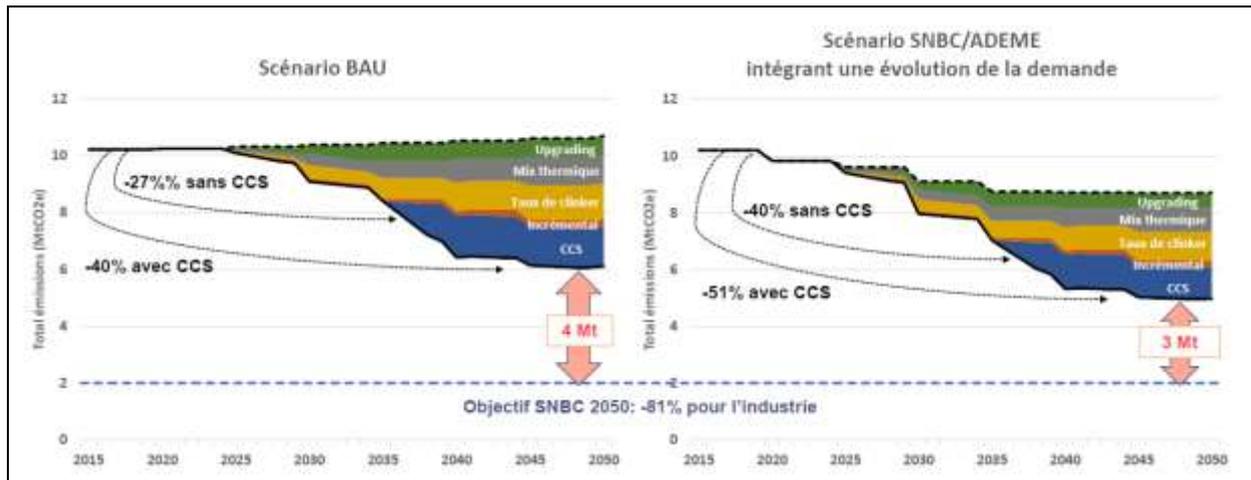
- Creation of an information and registration website: [www.inveest.org](http://www.inveest.org)
- Production of practical communication tools (general brochures, targeted brochures)
- Creation of accounts on social networks to animate the community and recruit participants (Linkedin, Twitter)
- Setting up a platform for sharing information and experience among participants led by the trainers
- Creation of a monthly newsletter

### 5.5.3 Main findings to date

#### ***Significant investments and R&D efforts required to decarbonize cement***

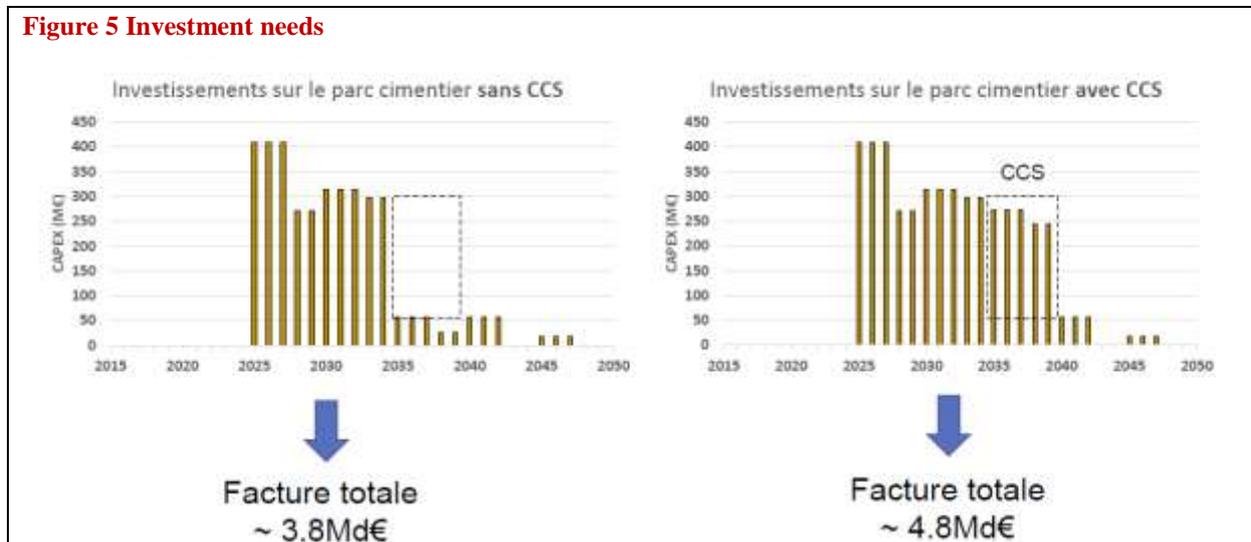
A scenario integrating all the existing decarbonizing technologies would only allow a 50% reduction of cement's GHG emissions. GHG emissions reductions would be even lower in case demand for cement keeps growing at current rates and Carbon capture and storage deployment are limited.

**Figure 4. Decarbonization pathways for various technology mixes, by 2050, Cement**



The total amount of investments needed to implement the decarbonization pathway could range from 4 to 5 €bn depending on the extent of CCS use.

**Figure 5 Investment needs**



For more about the preliminary results for the Cement STP :

See the presentation [https://www.ademe.fr/sites/default/files/assets/documents/resultats\\_plan-transition-sectoriel\\_ciment\\_2020\\_presentation.pdf](https://www.ademe.fr/sites/default/files/assets/documents/resultats_plan-transition-sectoriel_ciment_2020_presentation.pdf)

And the webinar: <https://www.youtube.com/watch?v=R0rhQO85UdI>

#### 5.5.4 Attention points

The covid-19 crisis has slowed down work on the STP as engagement activities have been more difficult to conduct (stakeholders were less available and online interactions have been less effective than in-person meetings).

Health security measures - including those internal to companies - do not facilitate registration and the rolling out of the training sessions as scheduled for the INVEEST program:

- Bankers have mobilized on the distribution of state-guaranteed loans and industrial companies are mobilized on managing the economic fallout of the COVID-19 crisis;
- Several training sessions were cancelled or postponed during the lockdown;

- Event planning for engagement and dissemination overturned by cancellations and postponements.

#### 5.5.5 Perspective and next steps for end of phase 1 (Q1 2021)

The first STP focused on cement will be published at the beginning of 2021. Aluminium and Steel have been launched in the second quarter of 2020. Kick off of work on all other sectors will go as follow :

- Chemicals: Ethylen, Amonia, Chlorine (autumn 2020)
- Glass (2021)
- Paper and pulp (2021)
- Sugar (2021)

Further work will be carried out on integrating the EU Taxonomy criteria once the Taxonomy delegated acts becomes available.

Regarding international cooperations on heavy industry, a proposition to create an IEA Annex was presented end of May at the exco meeting (IETS TCP). It will need to be validated by 3 countries in a follow up exco meeting in November. In the meantime, ADEME is working on the annex perimeter and exchanging with European sectorial experts (Italy, Denmark, Sweden, Norway, Austria, Portugal, The Netherland) to further define the objectives and the structure of this project.

For INVEEST, the evolution of the COVID-19 situation will be critical to the ability to conduct training sessions as planned. Greenflex has received many requests to offer an online version of the in-person training sessions.

## 6. Communication, dissemination and transfer activities (WP E)

A set of activities generally aims to ease and develop the visibility of the project (logo, brochure, website, etc.) and are conducted by ADEME, in coordination with the rest of the consortium.

Through communication, dissemination and transfer of results produced in the previously described work packages, the consortium aims at amplifying overall project impact in all sectors. Furthermore, it will contribute to two transversal measures:

- Retail investors' education and awareness activities, through advertising campaigns and mass media packages targeting retail investors (E1.1 and E1.2)
- Professionals' skills development, through the integration of the projects results in tertiary education and professional training programs (E1.3)

### 6.1 Progress summary

Phase 1 deliverables	Status
Q4 2020: Material presented and attendees' list for conferences and workshops at both French and EU levels	On time
Q4 2019: Engagement activities plan for phase 1	Completed
Q4 2020: Report summarizing key stakeholders engaged with, key thematic points raised and following year's plans (15-20 pages) for both the French and EU levels	On time
Q1 2020: Website's terms of reference	Completed
Q4 2020: English versions of key AMF documents	On time
Q1 2020: Beneficiaries' Media & Process Mapping Report	Delayed due to delays in hiring the Communication officer
Q1 2020: Annual Media Dissemination Plan	Delayed due to delays in hiring the Communication officer
Q4 2020: Media activity report	On time
Q1 2021: Annual Media Dissemination Plan	On time
Phase 1 Milestones	Status
Q4 2020: Launch of the call for tenders for the advertising campaign	Delayed in relation to delay in EUE establishment
Q4 2020: at least 10 key French stakeholders engaged	On time
Q4 2020: at least 10 key European stakeholders engaged	On time
Q1 2020: Launch of website	Delayed due to delays in hiring the Communication officer

### 6.2 Main achievements

During the period until mid-phase 1, the project co-beneficiaries have launched various activities in order to elaborate tools to inform, engage or integrate external actors within the actions of the project:

- Creation of a communication toolkit: logo, booklet, save the date format, etc.

- Development of a project website and production of online contents to be accessible at website kick-off in September 2020 (web pages dedicated to each work package, already published deliverables and news bills)

Furthermore, consortium members have laid out and started to implement an Engagement activity plan. A Communication Monitoring Committee has been set up (that will meet every quarter) to monitor communication, engagement and dissemination activities, to discuss future opportunities and coordinate the plans. Although the health crisis has limited our capacity to reach out and slowed down the process (stakeholders often less available) engagement and dissemination activities have made progress in relation to several work packages.



Engagement  
activity Plan\_22 06 20

The engagement activity plan :

### 6.3 Attention points

Thanks to the involvement of beneficiaries, engagement and dissemination activities are regularly achieved. Nevertheless, the Covid-19 crisis with both a modification of priorities and a limitation of direct contact bring new constraints to our initial ambitions.

An internal point of attention is the existence of different point of views between the project beneficiaries. It requires a good coordination to avoid unappropriated assimilation between the project's results and their validation or approval by each member. The partnership agreement has clarified the governance regarding the validation and the communication process.

The Covid-19 crisis and the climate crisis are giving rise to a new political and economic context where states and public investment will play a more important role in directing investments (through the stimulus packages that have been enacted at both the European and Member States levels). It is important that we remain vigilant in linking the project to this new context.

Delay in establishing the EUE will cause delays in actions aimed at promoting the mechanism to retail investors and professionals in charge of structuring and labelling the product to them.

### 6.4 Perspective and next steps for end of phase 1 (Q1 2021)

From a general point of view, project communication tools will start being released:

- A general leaflet presenting the project
- A website presenting the project, the consortium and its publications under various work package, as well as an agenda where past and upcoming events may be consulted

We expect to set up a “1-year event” in the context of the “Paris for tomorrow” week which ends with the Climate Finance Day CFD 2020 "Sustainable finance: How to reboot the European real economy?". It is planned for the opening session on Monday 26th October, the objective is to make the project more widely known and to present initial work, with an emphasis on the links between finance and the real economy and recovery (or transition) plans.

While delivery for retail investors' education and awareness (advertising campaign on the EUE and mass mobilization package) and professionals' skills development (educational material in tertiary education curriculums) is not expected before phase 2, it is necessary to start mobilizing potential external partners and framing the work before the end of Phase 1. ADEME, 2DII and AMF will have to start framing notes on the related actions, by end of Q1 2021.

## 7. Progress regarding complementary actions

CA1	Cross-topics research action package	Progress to date
CA1.1	Network for Greening the Financial System	
CA1.2	Call for research projects on climate finance	The 2019 edition led to the selection of 10 projects (link to the <a href="#">press release</a> ) whose first results will be published starting end of 2021. Discussions are under way to decide when the second edition will be launched
CA2	Risk assessment framework	
CA2.1	Co-develop the EU climate stress-testing framework	The framework has been developed and tested with EIOPA. It is currently being refined and results will be published before the end of the year.
CA3	Best practices showcase package	
CA3.1	Investors Climate Disclosure Awards	Applications to the 2020 editions of the awards are now under review. The Climate Reporting Awards Ceremony will convene in October
CA3.2	Climate Finance Day	The 6th Climate Finance Day is scheduled for October 29 <sup>th</sup> and will be fully dedicated to the subject of how to implement the green deal and serve the needs of the real economy with the theme: “Sustainable Finance: How to reboot the European real economy?”
CA4	2° Alignment Package	
CA4.1	Activating European NETwork for ACT	Methodologies and assessment tools development 2019-2020 : oil & gas, transport (all modes), cement in road test phase. Agri & agro food, iron and steel and generic methodologies in development phase. Overall 50% high emitting sectors coverage completed to date. Network: engagement with public and private financial institutions, policy makers including European Commission (DG Fisma, DG Clima, DG Env) and EU bodies (EBA), academics (Frankfurt Business School), other initiatives (GABC, Race to Zero, CAMDA, ShareAction, CA100+, Net Zero Asset Owner Alliance, WBA, ECF). ACT training for consultants.

		Governance: French voluntary program (individual and pool of companies applying for 2021), selection of most suited legal structure for ACT before opening governance to other entity based on engagement
CA4.2	Re-Imagining Disclosure for companies and their 2°C strategy	All I4CE's project deliverables are now complete and were released publicly as planned. They are available here: <a href="https://www.i4ce.org/go_project/re-imagining-disclosure-for-companies-and-their-2c-strategy-2/">https://www.i4ce.org/go_project/re-imagining-disclosure-for-companies-and-their-2c-strategy-2/</a>
CA4.3	National Climate and Technology Investment Pathways	The Climate Technology Compass website has been launch in November 2019 and is now integrated in 2DII's transition monitor website. By combining the information from 2DII's asset-level database and Beyond Rating's CLAIM methodology, it provides sector and country-specific transition pathways which were applied to was applied to 101 countries and 8 carbon-intense sectors (power generation, aviation, automotive, shipping, agriculture, steel, cement, real estate).
CA4.4	Articulating investor & corporate target-setting	The InVECAT project aims to mobilize the needed resources and actors to create climate target setting frameworks for financial institutions and other non-state Actors. 2Dii is currently in conversation to expand the project to focus on impact evaluation in the real economy. In the Spring of 2020, 2Dii launched the Evidence for Impact Working Group to explore the relationship between individual climate actions and impact in the real economy and develop a battery of tools for: education, climate action planning and climate action tracking.
CA4.5	PACTA 2020 Programme	The PACTA 2020 Programme is currently in progress and already covering 8 countries (namely Switzerland, Portugal, Spain, Italy, the Luxembourg, the Netherland, Norway, Denmark and Sweden). First results should be available before the end of 2020
<b>CA5</b>	<b>Financial Advice Package</b>	
CA5.1	Pilote in Germany	Most of the project tasks have been finalised (consumer surveys, mystery shopping visits,

		suitability questionnaire etc.) and the online tool will be launched before end of 2020.
CA5.2	Deployment in Europe	The project has been kicked-off in July 2020.
CA5.3	Asset managers climate-related profile database	The project ended end of 2019 and the main output was the FinanceMap tool: <a href="https://financemap.org/index.html">https://financemap.org/index.html</a> . It enables asset owners to assess funds and asset managers and drive well below 2° alignment through their financial supply chain and, by making the results public, it will drive competitive improvement within this supply chain, particular among the managers of listed funds.
<b>CA6</b>	<b>Access to Green Finance Package</b>	
CA6.1	SMEs accelerator “Energy Transition” Program	A second edition will be launched in 2021, in order to pursue de deployment of an industry for new energy systems
CA6.2	AFD internal action on FR-8	I4CE is part of the “committee of partners for the AFD Climate strategy” and we have attended the committee meeting in April 2020. Since then AFD has published a mid-term review of their climate strategy, which states that I4CE inputs have been used to shape the strategy. I4CE has also been solicited by AFD with regard to specific issues regarding the operationalisation of their strategy. In February 2020 we have discussed potential approaches for aligning their loan activity to financial sector participants with the Paris objectives. In July 2020 we have provided inputs to their approach for assessing climate transition risks. In both discussions we were able to build on ongoing research under the Finance ClimAct project.
CA6.3	Corporate Lending Impact Pricing on Energy Efficiency	Funds are currently raised and the proposal will be submitted in September 2020.
CA6.4	European movement on voluntary carbon market	The project has been completed as planned. Two reports were made public : 1) <a href="#">Study on domestic carbon standards in Europe</a> , published in december 2019. 2) <a href="#">Guide on the french standard</a> , published in June 2020.

## 8. Appendix 1 – List of deliverables

Below is the complete of deliverables due by Q3 2020:

- those completed and already submitted at the time of the 2<sup>nd</sup> external monitoring visit in June 2020,
- those completed since and attached
- those that are delayed

Action Number	Deliverable	Due date	Status
C1.1	Technical Response to EC consultation	Q2 2020	Completed. Two position papers have been submitted
C1.2	<b>NEW!</b> Intermediary report outlining legal considerations	Q2 2020	Completed
C1.2	Report outlining legal considerations	Q4 2020	Delay expected
C6.1	Report on retail clients and beneficiaries' sustainability preferences	Q4 2022 (to be updated, it is instead a series of report to be produced each year)	First report of the series completed by 2DII
C6.2	Validated program of studies topics	Q4 2019	Completed
C4.1	<b>NEW! Q2 2020 :</b> Technical Review of Methodologies Assessing a Portfolio's Alignment with Low-Carbon Trajectories or Temperature Goal	Q2 2020	Completed and accessible at this <a href="#">link</a>
C5.1	report on targets published and tracked on an annual basis for at least three banks	Q3 2020	Delayed
C5.1	Q3 2020 - A guide to banks target setting (ADEME, 2DII)	Q3 2020	Delayed
C5.2	Q3 2020 – report on targets published and tracked on an annual basis for at least three banks	Q3 2020	Delayed
C5.2	Q3 2020 - A guide to	Q3 2020	Delayed

	institutional investors target setting (ADEME, 2DII)		
C7.2	Material presented at training workshops	Q1 2020	Completed
	One central web platform	Q1 2020	The platform is accessible at the following link (it requires registration before granting access): <a href="https://invest.org/">https://invest.org/</a>
D	Baseline KPI report	Q2 2020	Completed
E2.2	Engagement activities plan for phase 1	Q4 2019	Completed
E3.1	Website terms of reference	Q1 2020	Completed
E3.2	Material presented and attendees' list	Q4 2020	One workshop and one conference were organized by 2DII
E3.4	Beneficiaries' Media & Process Mapping Report	Q1 2020 (delayed)	Delayed
	Annual Media Dissemination Report highlighting activities per major output	Q1 2020 (delayed)	
F1.1	Signed agreement letters detailed beneficiary responsibilities (Partnership agreements)	Q4 2019	Completed (and 5 out of 7 are signed)
	Organigram and associated responsibility matrix with clear roles	Q4 2019	Completed
F1.2	High-level Project Plan for each action, detailed project plan for Phase 1	Q1 2020	Completed
	Progress reports from steering committee	Q2 2020	Completed
F1.3	Skills Mapping Report	Q1 2020	Delayed
	Project Management Training Manual	Q1 2020	Completed