



ACT Finance | June 2023



ACT | **ASSESSING LOW CARBON TRANSITION**®

ACT FINANCE | Agenda



- **What is ACT?**
- ACT principles' overview
- ACT Finance overview
- Current researches | Open discussion

ACT | What is the ACT Initiative?

+700
companies
engaged



Provide credibility for companies' climate transition plans and their potential to reach their science-based targets. Avoid greenwashing.



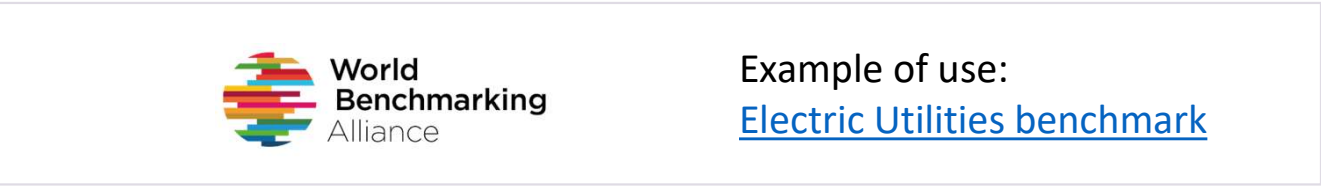
ACT is a forward-looking, holistic and operational approach to corporate climate accountability developed through multi-stakeholders technical working groups and public consultations.



Funded by



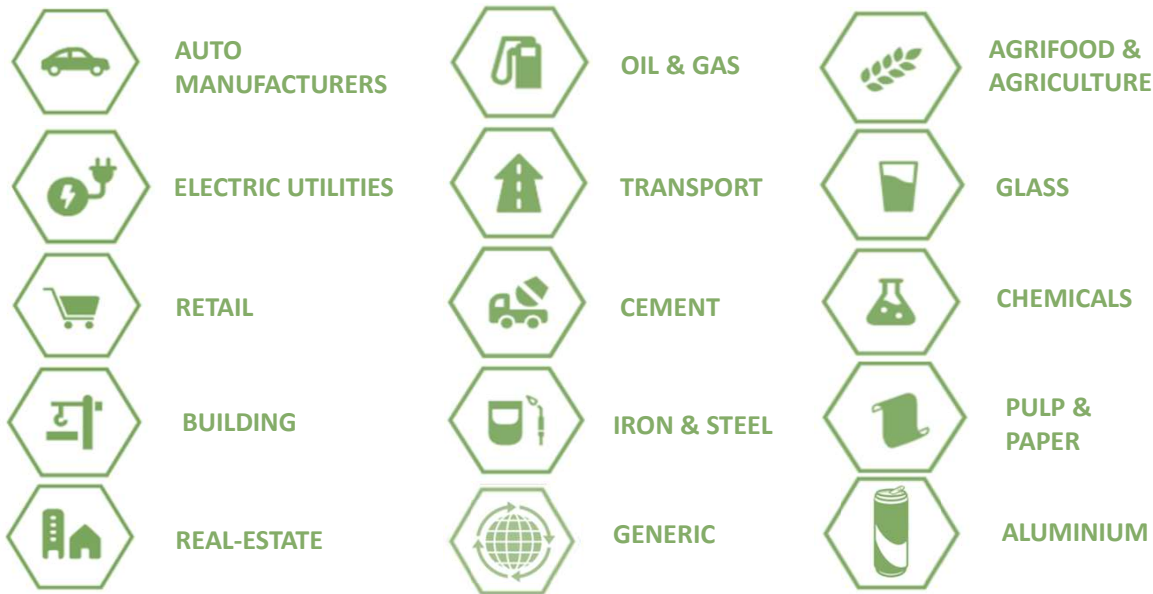
Strategic partnerships



ACT | Sectors



- ACT methodology implemented since 2015 in 15 sectors:



- Co-funded by:



Co-funded by the European Union

- Provide credibility regarding the abilities of companies to reach their decarbonization targets and avoid greenwashing with support of:



- ACT is the only international initiative providing a **climate accountability framework** to assess company decarbonization strategy and transition plan regarding « well below 2°C » or “1.5°C”.
- ACT also allows to equip companies to **define and implement such strategy and plan**.

ACT FINANCE | If the Paris Agreement mitigation goal was a marathon

#1

The company considers **the benefits of running the marathon and has identified the associated risks**
(in order to secure/reassure sponsors)



DISCLOSE (risk identification)

#2

The company shares **track record and running performances**



DISCLOSE (current performance)

#3

The company has committed that it **actually wants to run the marathon and finish it on time**



MEASURE (target commitment)

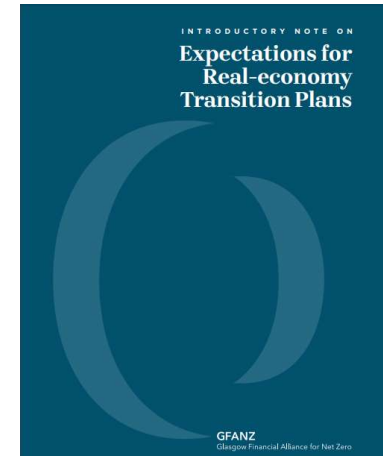
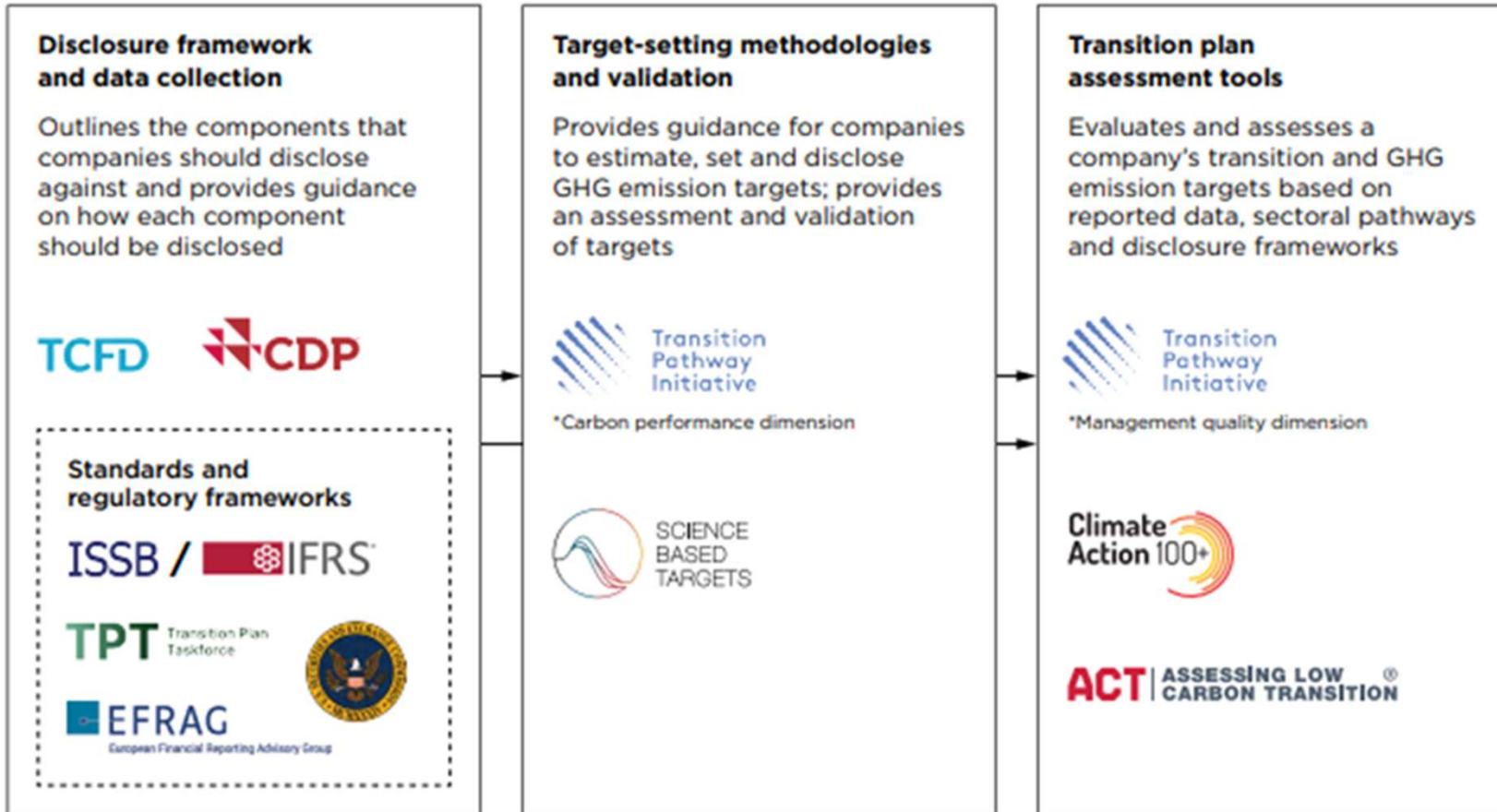
#4

The company demonstrates that it **will run the marathon and has a training program and relevant equipment to successfully run it**



ASSESS & TRACK (methodology)

ACT FINANCE | In the jungle of transition plan initiatives



Source : figure 2 Transition plan initiatives classification. introductory note on expectations for real-economy transitions plans (GFANZ june2022).

UN SG High level Expert group on Net Zero



Five Principles

1. Ambition which delivers significant near- and medium-term emissions reductions on a path to global net zero by 2050
2. Demonstrated integrity by aligning commitments with actions and investments
3. Radical transparency in sharing relevant, non-competitive, comparable data on plans and progress
4. Established credibility through plans based in science and third-party accountability
5. Demonstrable commitment to both equity and justice in all actions

ACT FINANCE | Agenda



- What is ACT?
- **ACT principles' overview**
- ACT FINANCE overview
- Current researches | Open discussion

ACT STEP BY STEP

Companies can be assisted by a trained advisor

Objective : Developing a low carbon strategy and an associated transition plan in order to implement it

For who? Companies with low maturity on climate



Low carbon strategy

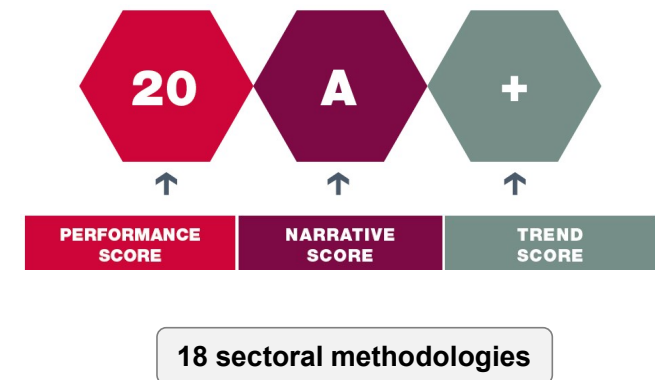
- 1 **Targets**
- 2 **Material Investment**
- 3 **Intangible Investment**
- 4 **Sold product performance**
- 5 **Management**
- 6 **Supplier engagement**
- 7 **Client engagement**
- 8 **Policy engagement**
- 9 **Business Model**

ACT ASSESSMENT

Companies can be assisted by a trained assessor

Objective : Assessing the low carbon strategy of a company and its alignment with the Paris Agreement goal mitigation

For who? Companies with an existing transition plan



ACT FINANCE | Agenda



- What is ACT?
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ACT FINANCE | Rationale

- Why:

Financial actors have a significant role to play in the transition of the real economy to net zero (article 2.1c of the Paris Agreement).

There is a need for open-source methods to assess the performance of the financial sector

ACT FINANCE will be one of the first open-source methodology to transparently assess financial actors

- How:

The ACT FINANCE methodology will **assess the decarbonisation strategies of financial institutions**

in order to understand their contribution to the Paris Agreement objectives and the potential achievement of their Net Zero targets.

The approach will incorporate **the key principles underlying commonly used market initiatives**

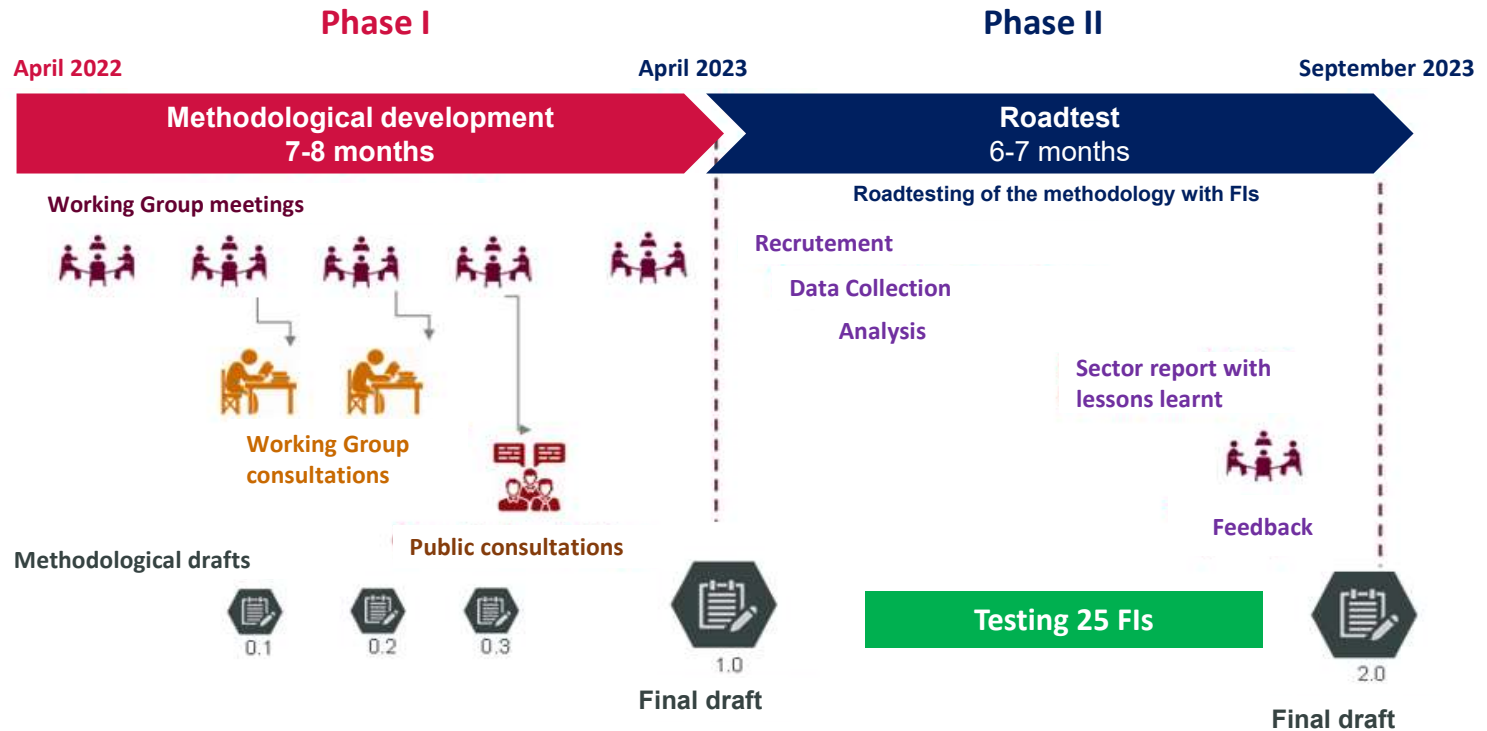
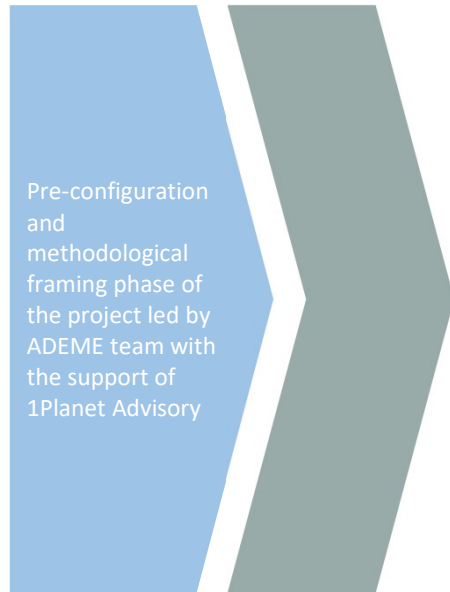
and methods, allowing for integration - where appropriate – with tools already used by various stakeholders.

- ACT FINANCE will provide a **comprehensive assessment of a financial institution's decarbonisation strategy and transition plan**, not just a measure of induced temperature or portfolio alignment.

ACT FINANCE | Timeline

December 2021 – March 2022
Pre-configuration and methodological framing phase of the project led by ADEME team with the support of 1Planet Advisory

March – April 2022
Recruitment Phase I



ACT FINANCE | 2 methodologies



Banks

ACT

Assessing
low-Carbon Transition

ACT Finance | Banks

Draft – Road-test



04/2023 – Version 1.2

Draft methodology that will be used for the road-test are available [on the ACT website](#).

Investors

ACT

Assessing
low-Carbon Transition

ACT Finance | Investors

Draft – Road-test



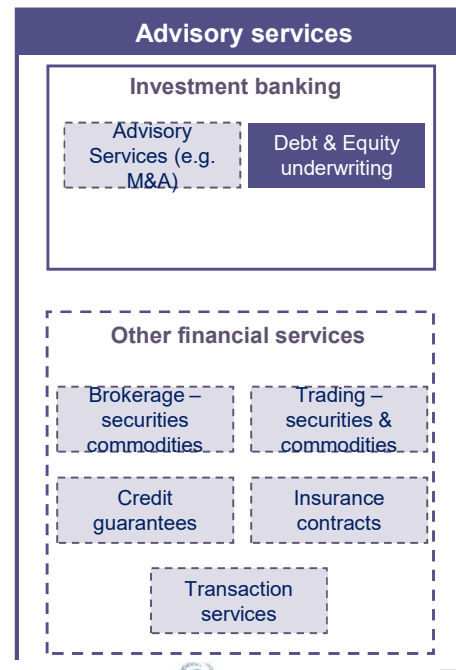
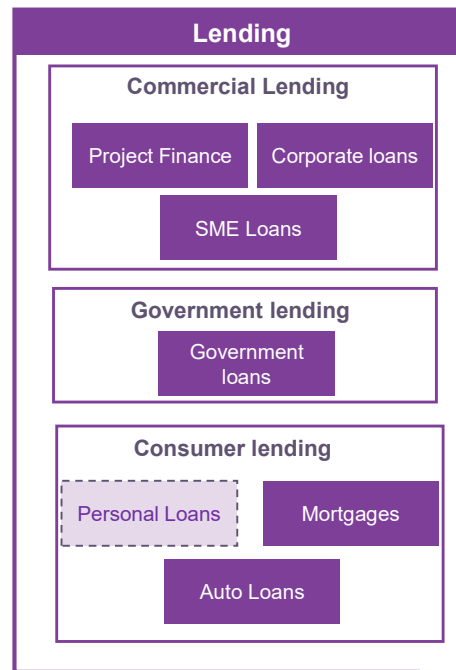
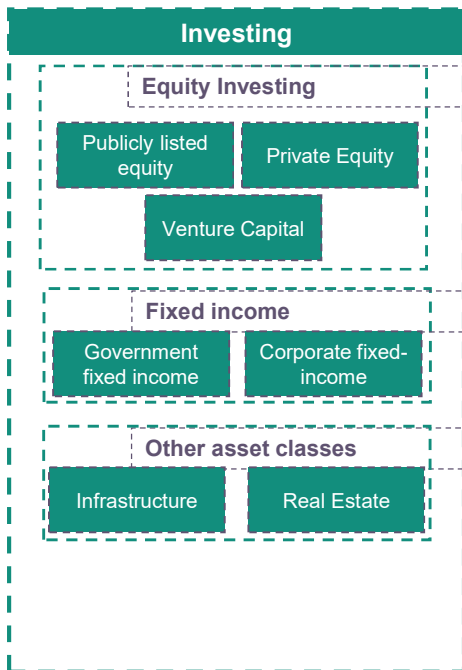
04/2023 – Version 1.2

- Literature review → key elements of the sector
- Details on the emissions reduction trajectories
- Assessment construction and required data included in the KPIs presentation
- Rationale of the weighting system

ACT FINANCE | Banks - boundaries

- Commercial & Retail Banks
- Capital Market activities (ECM, DCM)

- Asset classes:
- Loans (corporate & retail)
 - Facilitated operations



Asset class inclusion factors

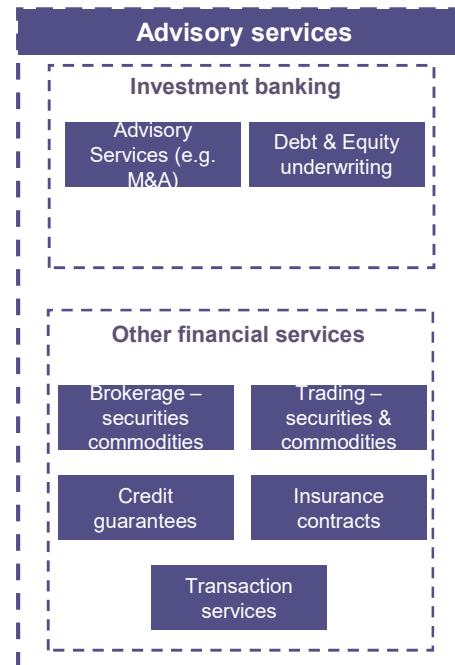
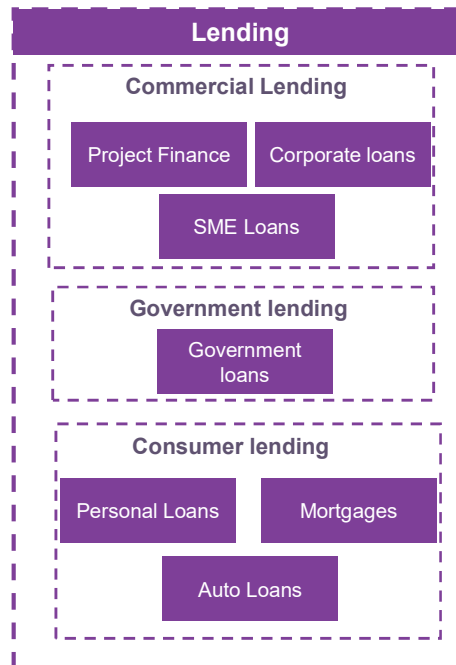
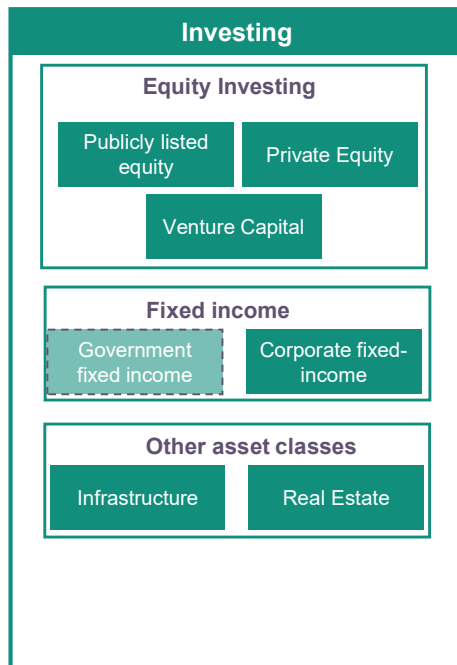
- Level of risk
- Size of GHG emissions of the asset class
- Size of the market
- Relevance for the financing of invested companies
- Ability to influence
- Timeframe of the investment
- Size of revenue of the financial institution

ACT FINANCE | Investors - boundaries

- Asset Managers (including private equity or debt investors)
- Asset Owners (insurance company, pension funds, public entity)

Asset classes:

- Equity (listed/private)
- Bonds (listed/private)
- Infrastructure / Real estate



Asset class inclusion factors

- Level of risk
- Size of GHG emissions of the asset class
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- Size of revenue of the financial institution

ACT FINANCE | Module weighting - Banking



MODULE	Type A (Commercial & Retail Bank)	Type B (Commercial & Retail Bank + Capital Market activities)
1. TARGETS	20%	
3. IMMATERIAL INVESTMENT	3%	
4. CLIMATE PORTFOLIO PERFORMANCE	25%	
5. MANAGEMENT	15%	
6. SAVERS ENGAGEMENT	2% - 0%	
7. CLIENT ENGAGEMENT	20% - 22%	
8. POLICY ENGAGEMENT	5%	
9. BUSINESS MODEL	10%	

ACT FINANCE | Module weighting - Investing



MODULE	Type A (Asset manager)	Type B (Asset owner)
1. TARGETS	20%	
3. IMMATERIAL INVESTMENT	3%	
4. CLIMATE PORTFOLIO PERFORMANCE	25%	
5. MANAGEMENT	15%	
6. INVESTORS ENGAGEMENT	2% 0%	
7. INVESTEES ENGAGEMENT	20% - 22%	
8. POLICY ENGAGEMENT	5%	
9. BUSINESS MODEL	10%	

ACT FINANCE | Performance indicators overview










Modules	%	Past Performance	Present Performance	Future Performance Forward-looking
1. Targets	20%		1.1. Achievement of previous targets 1.2 Time Horizon targets 1.4 Engagement targets 1.5 Financing targets	
		1.3. Achievement of previous targets		
3. Intangible investment	3%	3.1 Investments in human capital training 3.2 R&D for climate expertise		
4. Climate Portfolio performance	25%	4.1 Financial Flows Trend 4.1 Portfolio emissions alignment assessment		
5. Management	15%		5.1 Oversight of climate change issues 5.2 Climate change oversight capabilities 5.4 Climate change management incentives 5.5 Climate risk management	5.3 Low-carbon transition plan 5.6 Climate change scenario testing
6. Investors engagement	2%	6.2 Activities to influence investors		6.1 Strategy to influence investors
7. Investees engagement	25%	7.2 Activities to influence investees 7.3 Activities to influence investees with fossil fuel and deforestation-link activities		7.1 Strategy to influence investees
8. Policy engagement	5%		8.1 Financial institution policy on engagement with trade associations 8.2 Trade associations supported do not have climate-negative activities or positions 8.3 Position on significant climate policies 8.4 Collaboration with local public authorities	
9. Business Model	10%	9.1 Tools/policy facilitating investments to the transition towards a low carbon economy 9.2 Growing climate investments in (i) low carbon, (ii) enabling, (iii) climate solutions and (iv) companies with a credible and robust transition plan		

ACT FINANCE | Target module overview



➤ Target module concatenates **both GHG based and non GHG based targets**

➤ For instance, inclusion of engagement targets on Oil & Gas and Coal as we consider it to be a first/priority approach as a credible net-zero aligned strategy. It is not possible to have a robust and credible transition plan without an explicit, transparent and scientific aligned targets (i.e. exit and exclusion strategy) on these sectors.

	Concepts		Key metrics	Framework used
Indicator 1.1	<ul style="list-style-type: none"> Target setting - Commitment Gap 	Quantitative	<ul style="list-style-type: none"> GHG Based Physical intensity (monetary intensity is downgraded) 	 SCIENCE BASED TARGETS  Net Zero by 2050: A Roadmap for the Global Energy Sector
Indicator 1.2 Indicator 1.3	<ul style="list-style-type: none"> Target setting – Time Horizon 	Quantitative	<ul style="list-style-type: none"> Horizon Gaps % of completion Time Horizon Achievement of previous targets 	 ACT ASSESSING LOW CARBON TRANSITION
Indicator 1.4	<ul style="list-style-type: none"> Engagement target setting 	Qualitative	<ul style="list-style-type: none"> Non GHG Based metrics Oil & Gas Policy Tracker Deforestation exclusion Portfolio Coverage 	 RECLAIM Finance urgewald  FOREST 500  SCIENCE BASED TARGETS
Indicator 1.5	<ul style="list-style-type: none"> Financing transition targets 	Qualitative	<ul style="list-style-type: none"> Non GHG Based metrics Climate solutions financing roadmap 	 IIGCC

ACT FINANCE | Assessment of target-setting

Target module – Focus

Scenarios

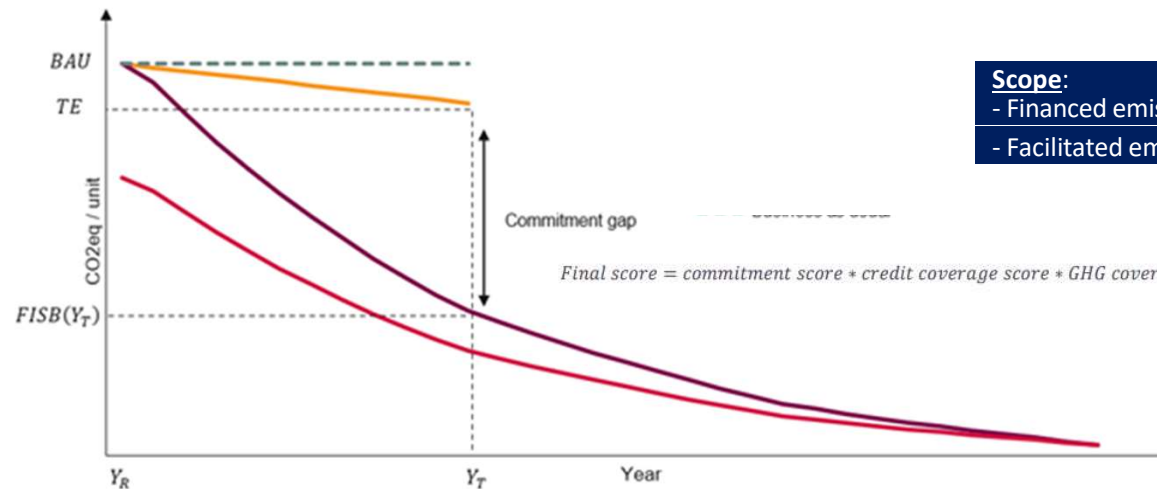
Net Zero by 2050:
A Roadmap for the
Global Energy Sector

Calculation

$$\text{Trend ratio} = \frac{TE - FISB(Y_T)}{BAU - FISB(Y_T)}$$

- **Reference background scenarios** for the ACT Finance tool are from the AIE.
- **Other types of scenarios are acceptable**, including OECM, NGFS, PRI Inevitable Policy Response 1.5°C Required Policy Scenario or sector specific scenario (e.g. CCREM)
- **Trend ratio ≥ 1** The commitment is **less ambitious than the business-as-usual pathway**
- **Trend ratio ≤ 0** The commitment is **more ambitious than the financial institution's sectoral benchmark pathway**
- **$0 \geq \text{Trend ratio} > 1$** The commitment is **below the business-as-usual pathway** but not yet aligned to the financial institution's sectoral benchmark pathway

- Target
- FI's sectoral benchmark
- Sectoral benchmark
- - - Business as usual



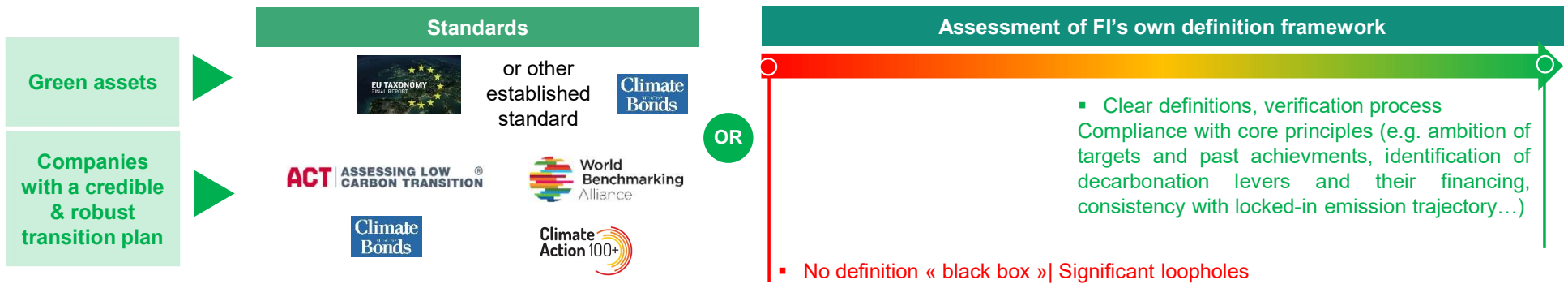
Scope:

- Financed emissions (Banks & Investors)
- Facilitated emissions (Banks)

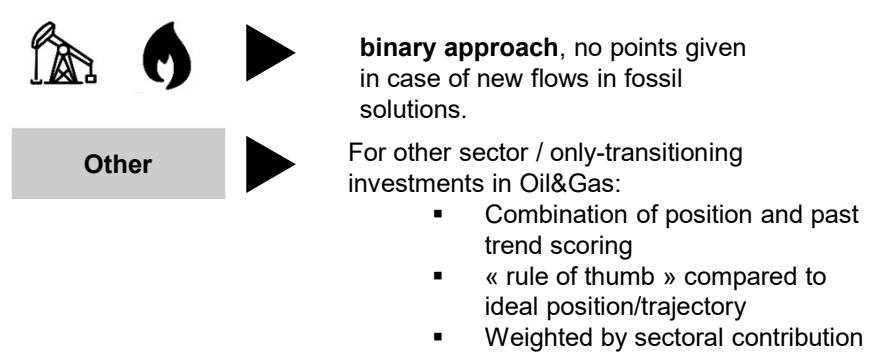
ACT FINANCE | Climate Performance overview



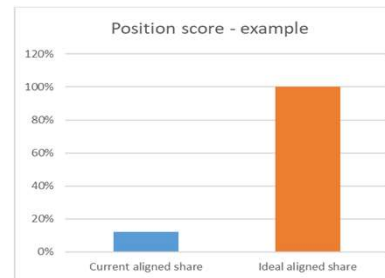
- Assessing portfolio « green » share current position and past trend
- Combination of standard approaches and own financial institution assessment in order to evaluate the « green » share
- Ensuring ...



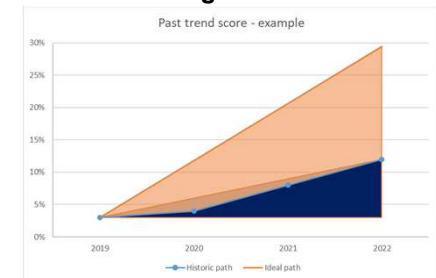
- Total Amount (€) and « green share » by sector at reporting year and 3 years in the past
- Need to adapt to the data systems of the FI: aggregation, proxies, focusing on main GHG emissive counterparties...



Ideal situation : 100% of green or transitioning assets in 2030



Position score : comparison vs. the situation as of today

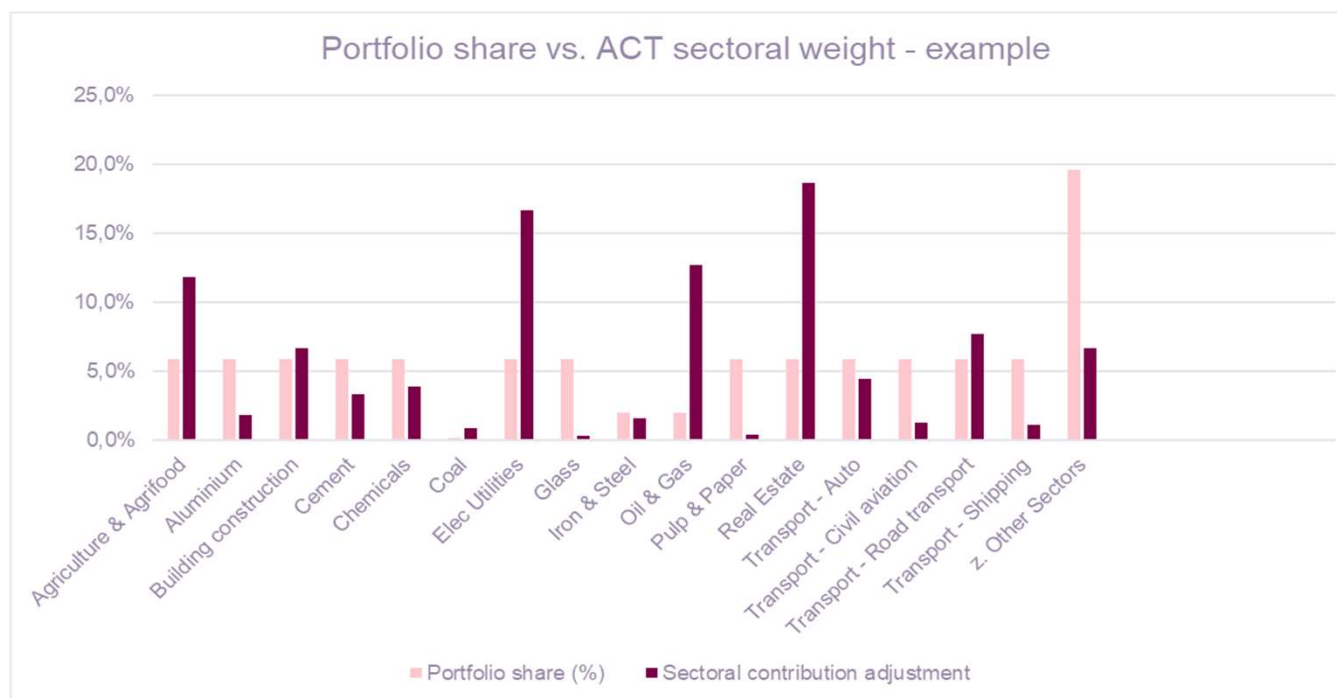


Past trend score : comparison vs. an ideal linear trend.

ACT FINANCE | Key mechanisms of scoring

- Not all the FI have the same sectoral split of their portfolios...
- ... and not all sectors have the same contribution to global warming.
- Thus for quantitative indicators (see notably 1.1 and 4.1) a weighting mechanism taking into account both portfolio weighting and GHG-sectoral-contribution

Sectoral
contribution





ACT Finance | Roadtest

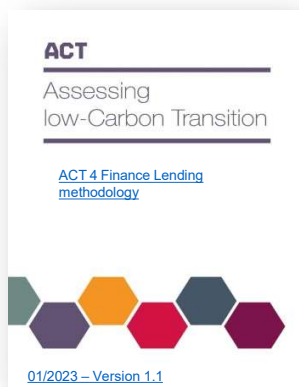


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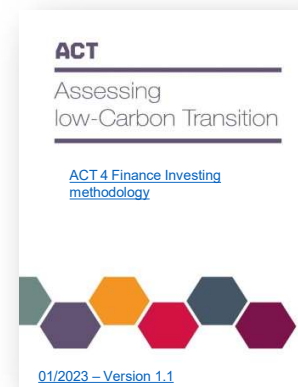
ACT Finance | Roadtest



7 Banks



18 Investors



- Literature review → key elements of the sector
- Details on the emissions reduction trajectories
- Assessment construction and required data included in the KPIs presentation
- Rationale of the weighting system

ACT Finance | Outputs

1



Individual Financial Institution Report

FI's full score breakdown

2



Full Roadtest Public Report

Summary of Roadtests and aggregate/anonymised FI scores

3



Methodology Feedback Report

Suggested modifications to enhance Methodology

Roadtest | Timeline



1. Kick-off meeting

2. Data collection with Company
A 30 minutes weekly update



3. Assessments by Analyst
Additional meetings



4. Tailored
Feedback and
Scores with
Company



5. Final Meeting
with Group of
Companies to
discuss lessons
learned



6. Showcasing
our work
(Climate
Week,
Climate
Finance Day,
COP28)



ACT Finance | Anticipated challenges



- **Facilitated emissions from banks**
- **Heterogeneity of businesses and activities** with their related weightings and criteria interpretation
- **Savers' engagement**
- **Deforestation policy**
- **Investment instruments:** passive investment strategies, non-transparent funds, funds of funds, multi-asset funds mixing asset classes in scope (listed equity) and not in scope (sovereign bonds)

ACT Finance | Key challenges



- **Timing overlap** with regulatory publication (Art.29 – SFDR etc)
- **Availability of data** across different group functions
- **Longer-than-expected time** required for IFs
- **Module 1** Exclusion of monetary intensity targets
- **Module 4** Quantitative data collection :
 - Sector classification (ACT/NACE/GICS) and granularity
 - Lack of 4 years historical data
 - Definitions of “sustainable” and “transition” assessment
- Convenience and user-friendliness of the **Excel tool** both for evaluators and IFs



ACT Finance | Our questions to the fintechs!



ACT | **ASSESSING LOW CARBON TRANSITION**®

PANORAMA DES FINTECHS DURABLES FRANÇAISES

ÉDITION 2022



Le présent panorama propose une vision du marché français afin d'en soutenir le développement.

Finance for Tomorrow, conjointement avec l'ADEME, publie pour la première fois en octobre 2022 le « Panorama des Fintechs durables françaises ».

Pour la première édition du « Panorama des Fintechs durables françaises », le travail effectué par **Finance for Tomorrow**, en collaboration avec l'**ADEME**, a porté sur la définition d'une classification des Fintechs durables fondée sur des critères explicitement définis. L'objectif est d'enrichir ce Panorama d'année en année, avec la contribution des Fintechs elles-mêmes.



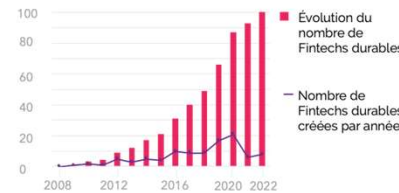
PANORAMA DES FINTECHS DURABLES FRANÇAISES



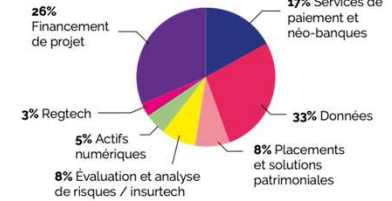
Les Fintechs durables proposent des solutions innovantes, par la technologie qu'elles utilisent ou l'usage qu'elles permettent, appliquées au secteur financier dans un objectif de soutenir les Objectifs de Développement Durable et/ou de réduire les impacts du secteur.

Cette définition est alignée avec la vision des « Fintechs verte » proposée par le Swiss Green Fintech Network et la Green Digital Finance Alliance dans le cadre de leur « Green Fintech Classification » publiée en mai 2022. Elle a été adaptée aux caractéristiques du marché français.

Vision du marché des Fintechs durables en France



Répartition des Fintechs par classification



102 Fintechs durables

RegTech

Application technologique pour faciliter la mise en conformité d'exigences réglementaires et de reporting en finance durable.



Services de paiement et néo-banques

Systèmes de paiement intégrant des caractéristiques durables dans le cadre de l'expérience de paiement.



Évaluation et analyse de risques / insurtech

Logiciels et plateformes permettant d'optimiser les produits et services d'assurance durables ainsi que des solutions pour minimiser les risques physiques liés au climat et à la nature.



Financement de projet

Plateformes numériques pour lever des capitaux auprès de particuliers, de corporates ou d'investisseurs institutionnels afin de financer de nouveaux projets durables.

Financement participatif (crowdfunding/crowdlending/crowdequity...)



Crédits carbone



Actifs numériques

Technologies blockchains et/ou actifs numériques (crypto-monnaies, tokens...) utilisés pour des cas d'usages servant des objectifs de transition écologique.



Placements et solutions patrimoniales

Produits d'épargne numérique utilisés pour financer des projets bénéfiques pour l'environnement ou liés à des comportements écologiques.



Données

Indicateurs extra-financiers

Solutions proposant des indicateurs extra-financiers, pouvant être complétés par un plan d'action.



Traitement de la donnée

Solutions de collecte de données ESG, ou de traitement et d'analyse de données, y compris les notations et indexations des actifs durables.



39%
des Fintechs durables françaises
sont présentes à l'international

11% des Fintechs ont pour objet
la finance verte

(sur la base du recensement de France Fintech 2022)

23% de Femmes CEO
dans les Fintechs durables

Module 1

Cibles climatiques

Pour être crédible sur les enjeux climatiques, il faut travailler en quantités physiques : émissions de GES, volumes de production (tonnes de ciment / acier, MWh,...).

Comment préparez-vous le passage d'un pilotage par une notions ESG « best in class » à un pilotage sectoriel orienté atteinte des objectifs Net-zéro ?

Données

Indicateurs extra-financiers

Solutions proposant des indicateurs extra-financiers, pouvant être complétés par un plan d'action.



Traitement de la donnée

Solutions de collecte de données ESG, ou de traitement et d'analyse de données, y compris les notations et indexations des actifs durables.



RegTech

Application technologique pour faciliter la mise en conformité d'exigences réglementaires et de reporting en finance durable.



Module 4

Performance du portefeuille

Avec la CSRD / ESRS, un flux de données réglementaires sur les entreprises va permettre d'alimenter l'évaluation ESG de la performance des émetteurs ainsi que leur stratégie de transition.

Comment voyez-vous ce big-bang et les opportunités associées ?

Module 5

Management

Évaluation et analyse de risques / insurtech

Logiciels et plateformes permettant d'optimiser les produits et services d'assurance durables ainsi que des solutions pour minimiser les risques physiques liés au climat et à la nature.



DESCARTES

FINRES



Quelles sont vos propositions pour intégrer les risques climatiques : risque de transition, risque physique et de litige ?

Quelles sont les bonnes pratiques pour les intégrer opérationnellement dans les décisions d'investissement et de financement et au service d'un plan de transition pour l'institution financière ?

Placements et solutions patrimoniales

Produits d'épargne numérique utilisés
pour financer des projets bénéfiques
pour l'environnement ou liés
à des comportements écologiques.

epsor IROKO• QLAY

caravel Goodvest



SYMBIOSE
MANAGEMENT

Module 6/7

Engagement client

La taxonomie et donc la durabilité c'est seulement 5% de l'univers de l'investissement.

Comment abordez-vous le sujet du financement de la transition sur les secteurs qui impactent l'environnement ?

Les AG et politiques de vote sont de plus en plus médiatisées et la participation est renforcée par le vote électronique et par de nouvelles exigences (ex : 90% de vote dans la refonte du label ISR).

Quel rôle de l'IA et des Fintechs pour renforcer la prise en compte des résolutions ESG par les investisseurs de façon plus systématique ?

Placements et solutions patrimoniales

Produits d'épargne numérique utilisés
pour financer des projets bénéfiques
pour l'environnement ou liés
à des comportements écologiques.

epsor IROKO• QLAY

caravel Goodvest



SYMBIOSE
MANAGEMENT

Module 9

Business model

Accompagner la transition a un coût mais est aussi une opportunité business.

On estime la surcote de valorisation de 30% entre l'univers d'investissement ESG et non ESG

Avez-vous des solutions pour rendre des entreprises de taille moyenne ESG investissables ?

Actifs numériques

Technologies blockchains et/ou actifs numériques (crypto-monnaies, tokens...) utilisés pour des cas d'usages servant des objectifs de transition écologique.



En bonus!

Comment est prise en compte la consommation énergétique dans l'établissement des algorithmes / solutions numériques ?

Ex : la blockchain c'est tendance mais elle peut conduire à des absurdités énergétiques.

Plus généralement, comment les Fintechs se posent la question de la sobriété ?