HOW TO MONITOR THE FINANCIAL SECTOR TRANSFORMATION TO A CARBON-NEUTRAL ECONOMY ?

White paper and statistical study produced
by the French Sutainable Finance Observatory within
the framework of the Finance Climact project

INSTITUT DE LA FINANCE DURABLE PARIS EUROPLACE
OBSERVATOIRE de la finance durable
Finance ClimAct
RÉPUBLIQUE FRANÇAISE
ADEME
Life

CONTENTS

INTRODUCTION

CONTEXT OF THE STUDY

The Sustainable Finance Observatory has been launched by both a political agreement between the French Minister of Finance and Professional Associations representative of the financial actors signed on the 2 July 2019, and the European union support (LIFE program) with the Finance Climact project.

The mission of this observatory is to monitor the transformation of the French financial sector towards the achievement of sustainable development objectives, and in particular the climate objectives.

This Observatory is a public/private project with a triple governance The professional federations representing insurers, banks, management companies, private equity and specialised finance companies are founding partners of the project and part of the steering committee. As an axis ofthe Finance Climact project, the Observatory is also supervised by the Finance Climact steering committee, led by ADEME and composed of the Climate Transparency Hub (CTH), the Commissariat Général au Développement Durable (CGDD), the Institute for Climate Economics (I4CE), the 2° Investing Initiative (2DII), and the Rocky Mountain Institute (RMI). Finally, a scientific and expert committee provides the third pillar of the Observatory's governance. It is composed of five colleges, including a presidency, an NGO college, an academic college, a public authority's college and an expert college. The latter is independent and mandated to ensure the Observatory's publications relevance and scientific rigour.

In the agreement signed by the federations at the time, the notions of coal phase-out, portfolio alignment and impact were already mentioned as potential indicators for carrying out this monitoring and transparency mission. For its part, the framework note for the Finance Climact project, a commitment made to the European Union, which is subsidising the project, called for "impact" indicators and "measurement of the effective contribution of stakeholders".

What do we mean by an indicator? It can be defined as a specific observable and measurable quantity that can be used to show the changes achieved or progress made by an actor towards a specific objective. The indicator should ideally be focused, clear and specific.

In sustainable finance, many indicators are used to illustrate different financial products and businesses. But a single indicator may be used by some to illustrate the progress of an entire sector of activity or, conversely, sometimes even by others to condemn the whole of sustainable finance. This common practice in communication leads to obvious shortcuts that have today led to a certain discrediting of an entire sector, which is made up of numerous initiatives that are unanimously supported by all the players, even the most militant NGOs.

We must not throw all sustainable finance out with the water of the greenwashing machine! On the other hand, we need to work on greater transparency so that we can distinguish between the various initiatives and really monitor the transformation of the sector.

Three years after its launch, the Sustainable Finance Observatory wanted to take the time to share the analysis of its first three publications, and above all to question a maximum number of actors in the financial center - private and public actors, and representatives of civil society - in order to find, as far as possible, a consensus, on the indicators to be used to monitor the transformation of an actor, an activity, or even the monitoring of the financial center transformation on a global scale.

With the numerous voluntary coalition and regulation initiative, in France, Europe and at the international scale it was also necessary to identify how those new reportings were going to bring more information to track the alignment of the financial sector.

This first publication aims to present the intermediate results of the study, questions that were raised following the study, and some initial proposals that would be developed for the final publication, all of which could also be discussed during the OECD and Finance ClimAct's event: "Workshop on Metrics for Climate Transition and Net-Zero GHGs in Finance - Supporting climate policy goals and avoiding greenwashing".

The objective is to get reactions and inputs from this intermediate publication to complete the final report, which is planned in June 2023. Therefore, the entities who wish to contribute are invited to send their comment or answer to the publication by 31 March.

ABOUT THE STUDY

The study started in May 2022 by sending questionnaires to various stakeholders. The collection was completed in December 2022, with almost 47 actors participating in the study, divided into three categories:

- 10 public actors
- 12 civil society actors: NGOs, think tanks, academics and experts.
- 25 private companies: federations, financial institutions, associations and consultants.

The participants' opinions were collected in a standardised way through multiple choice questionnaires. They were first asked general question about sector to monitor or thoughts on current regulation and initiative. Then they were asked to assess the relevance of indicators for monitoring the transformation of financial institutions towards sustainable finance and indicators for estimating the means put in place to monitor the transformation. Finally, they had to assess complementary general questions, such as best practices, shareholder engagement. Each of the participants had the opportunity to make First leads for each of these areas. The results presented in this study are anonymized and presented in aggregate for each category of respondent.

KEY MESSAGES FOR STAKEHOLDERS

KEY MESSAGES FOR STAKEHOLDERS

According to the first batch of answer of the study and the input from Finance Climact member's:

- Sector-specific indicators are needed to better track how financial actors are transforming their activities and the emissive corporate activities they are facilitating with facilitated emissions. *ie. section 1.1*

- It makes sense to focus on the financial activities which are directly connected to the real economy, therefore tracking the financial activities which are financing the primary market. *ie. section 1.1*

- It is essential to track both financed activities and facilitated activities of all financial fields. *ie. section 1.1*

- Some financial activities are not covered by indicators used on green finance reporting even though they represent significant leverage and a significant contribution to global warming. We need to develop relevant indicators to identify them and cover all significative financial activities of each financial fields. *ie section 1.1*

- It is not yet possible to have common indicators for the whole financial center, but some indicators stand out as relevant for monitoring the transformation by sector of each activity. *ie section 1.1*

- Reporting requirements coming from the regulation identified so far are not sufficient to track the real contribution to the global alignment of the finance toward a Net Zero Economy, especially with the simple materiality approach, which confirms the need of complementary reporting. *ie sections 1.3*

- There is still a lack of common definition and methodology to get the reporting comparable and relevant. *ie sections 1.3 ; 2.1 ; 2.2 ; 2.3*

- Most participants declare that tracking the investment on green bonds and labelised products doesn't help to track the transformation of financial actors. *ie section 2.1*

- One of the first priorities is to finance the transition, therefore there is a need for a public database to refer on, such as a transition taxonomy or a list of companies on transition. *ie section 2.1*

- There is a consensus to publish exposure on fossils fuels including the companies with high exposure to emissive sectors (production of fertilisers from natural gas, traditional automobile sector, aviation, etc.) *ie section 2.1*

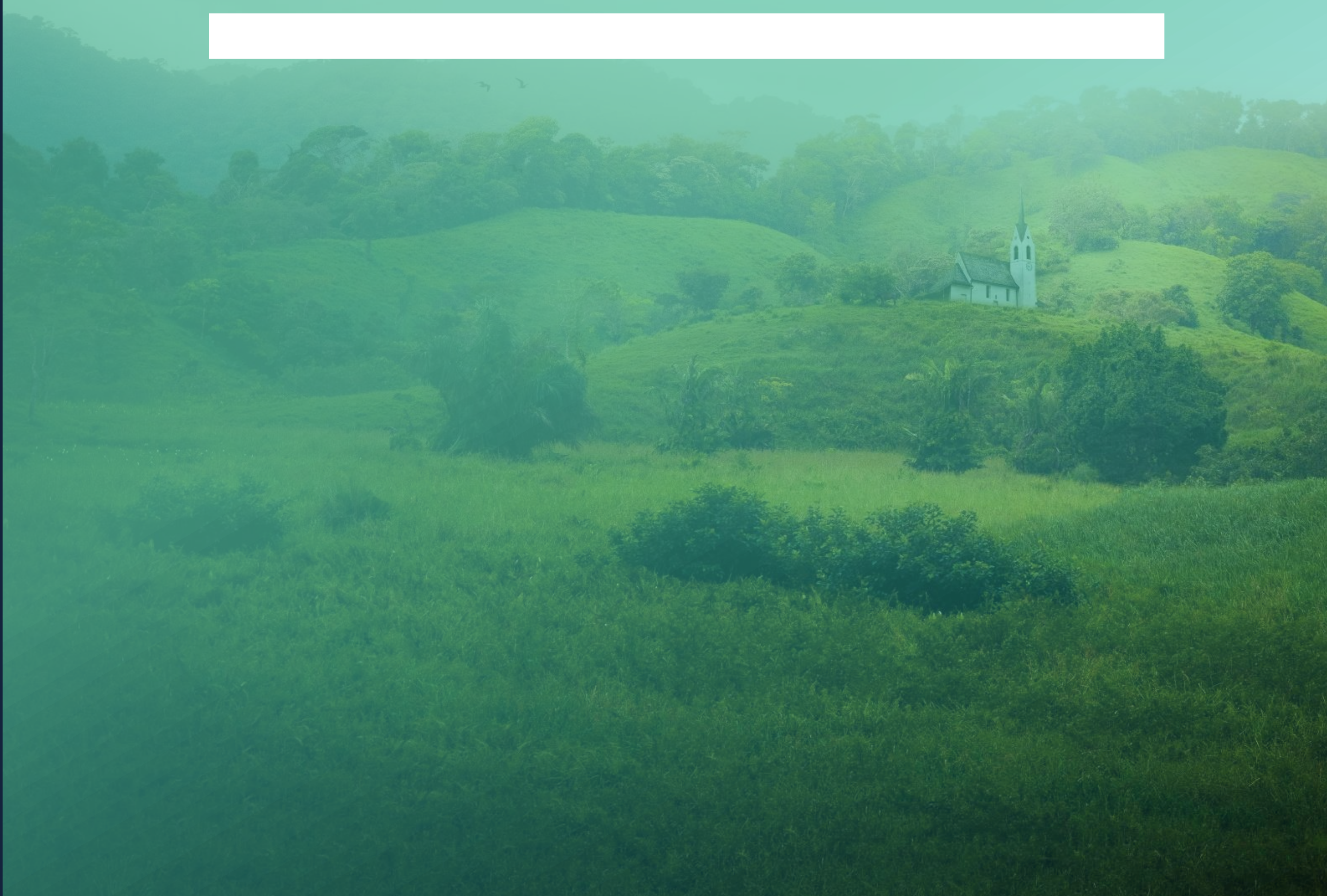
- Regarding GHG reporting, despite the quality of databases of emissions available, the difference of databases used, methodologies and perimeters covered, especially on scope 3 financed and facilitated leads to big gaps on the reporting of financial actors, which make the reports difficult to compare. *ie section 2.2*

- Many participants of the study reveal the lack of maturity of the alignments and temperature methodologies, insisting on the impossibility of comparing the results of such publications. A study to develop a global alignment approach at financial place level is currently taking place lead by the Louis Bachelier Institute, supported by the Observatory. While waiting for the result of this study, we suggest group the actors' results into three groups:¨% of actors whose alignment is <1.5°C; between 1.5°C and 3°C; >3°C. *ie section 2.3*

- We need to push for the use of a common definition (example of the one develop by the Impact Paris Financial Center Group) and indicators to measure impact or in other words to track the contribution to the real economy. *Ie section 2.4*

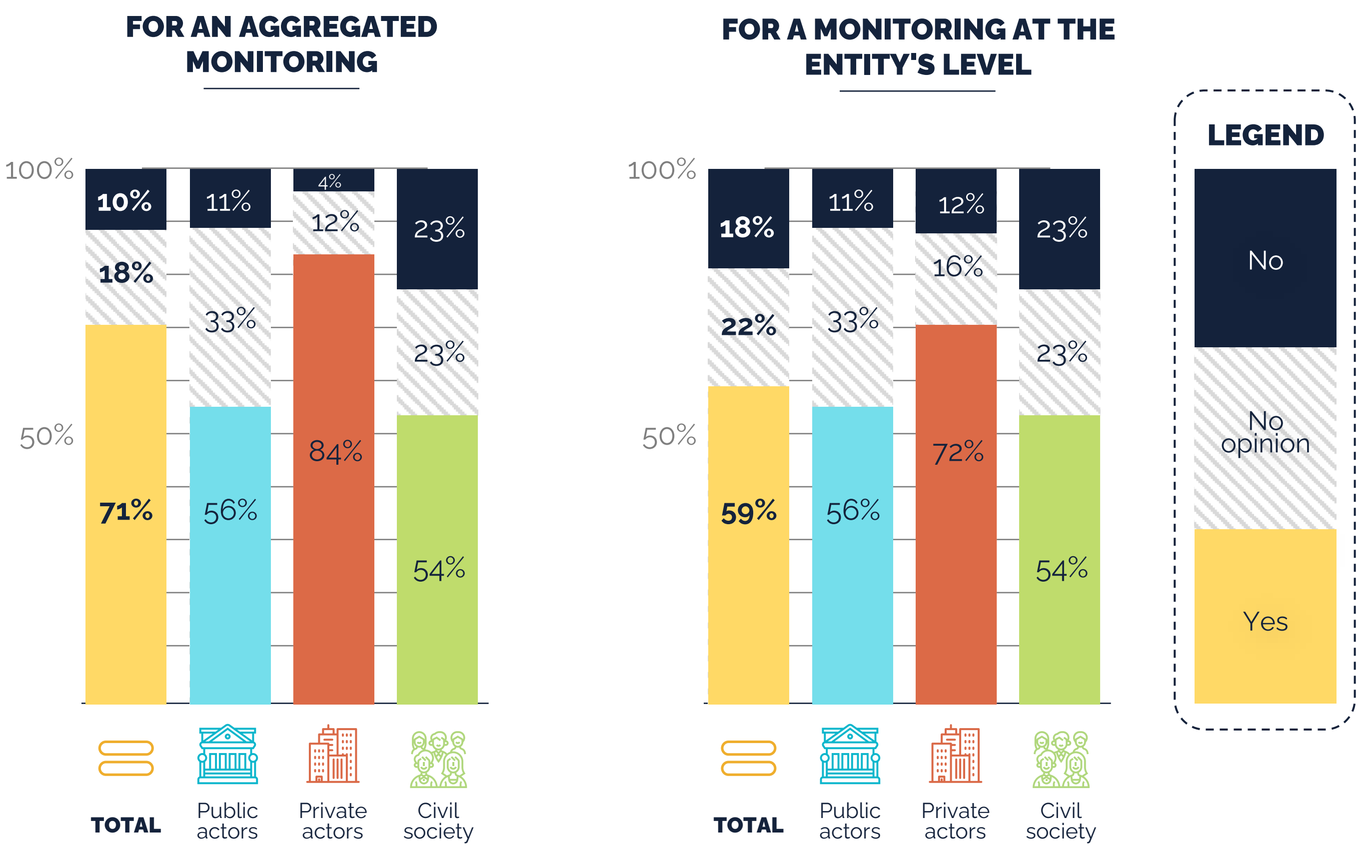
- We are looking for complementarity inputs on governance and shareholder engagement. *ie section 2.6 and 2.7*

1.GENERAL



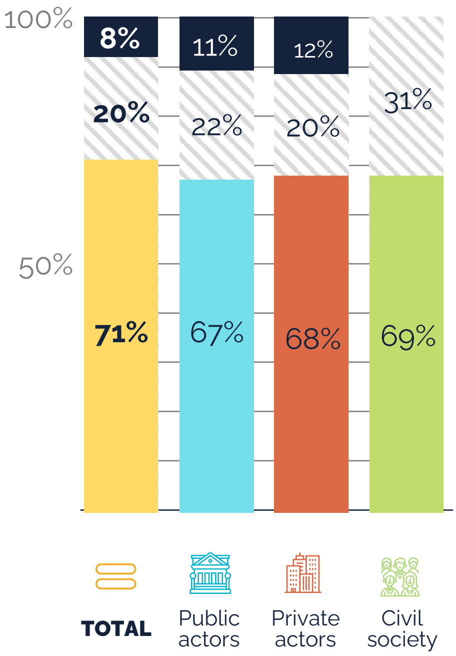
WOULD IT BE USEFUL TO PRIORITISE THE MONITORING OF DIRECT FINANCING AND INVESTMENTS IN THE ECONOMY IN ORDER TO MONITOR THE ALIGNMENT OF THE FINANCIAL SECTOR WITH THE OBJECTIVES OF THE PARIS AGREEMENT?

For the record the financial activities can have different roles, including (1) financing, (2) pricing and market liquidity, and (3) providing services.

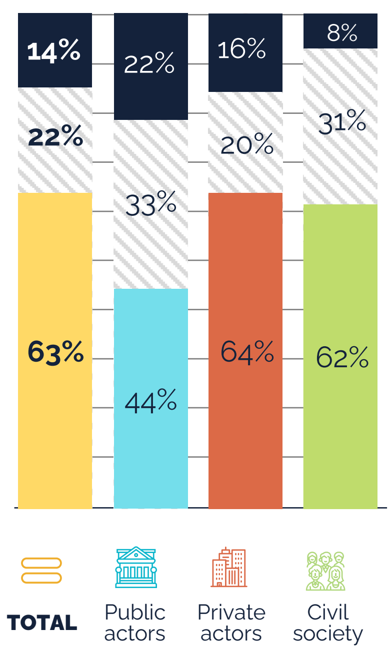


IS IT RELEVANT TO MONITOR THE TRANSFORMATION OF THE FOLLOWING FINANCIAL ACTIVITIES AND SERVICES?

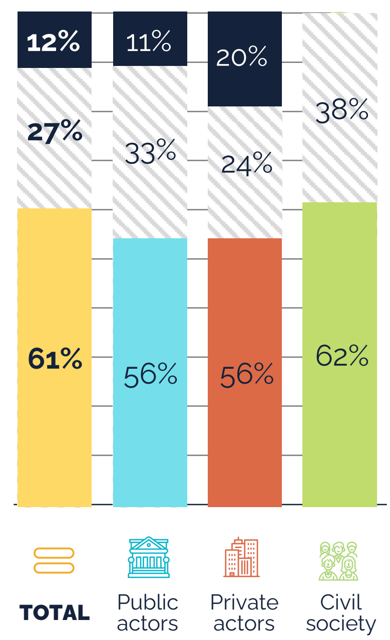
PASSIVE MANAGEMENT



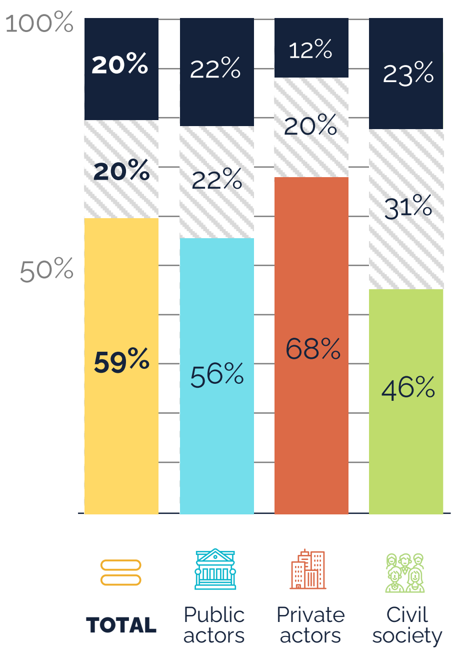
NON-LIFE INSURANCE



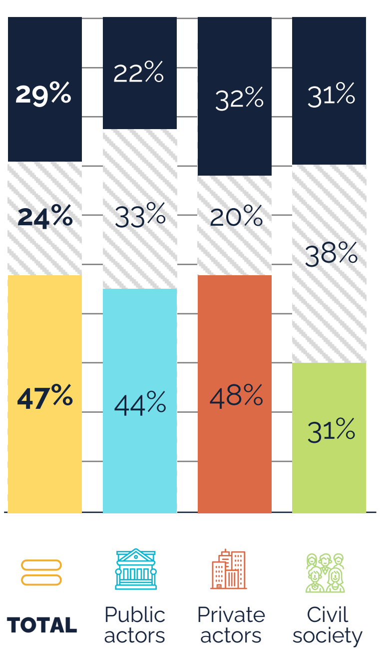
FINANCIAL SERVICES (ADVISORY, M&A, PRIMARY MARKET, ...)



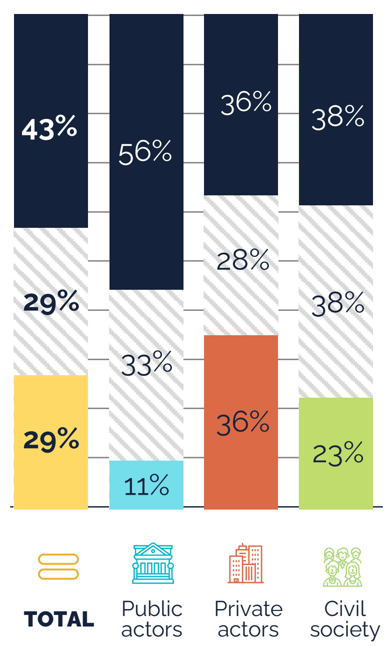
SECONDARY BOND MARKET



DERIVATIVES



ACCOUNT MANAGEMENT



QUESTIONS

1. How to make sure that the indicators used are representing all significative financial activities financed activities and facilitated activities for all financial fields (banks, insurers, asset owner, asset manager)?

    1.1 What are the most significant activities of each financial actors in terms of revenue? In terms of leverage on the ecological transition?

    1.2 What indicators can be used to monitor the most significant activities of each type of actor?

    1.3 Which indicators allow to track the off-balance sheet for each financial fiels?

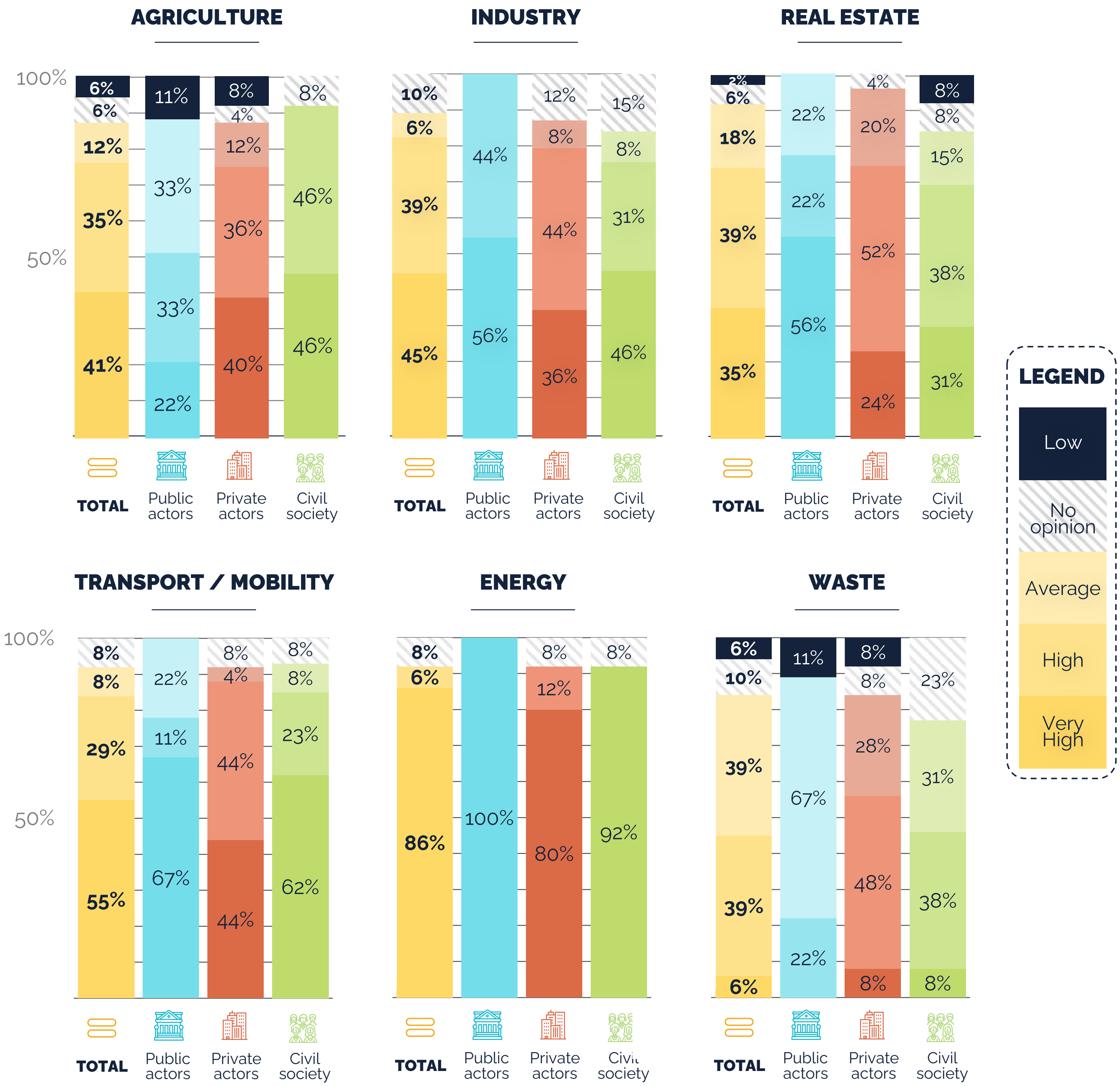
    1.4 Which financials activities are financing the real economy (difference between primary market, secondary market and synthetic market) ?

2. Is it more relevant to seek an indicator that monitor the transformation on all activities or develop specific indicators for each activity and if so which ones?

FIRST LEADS

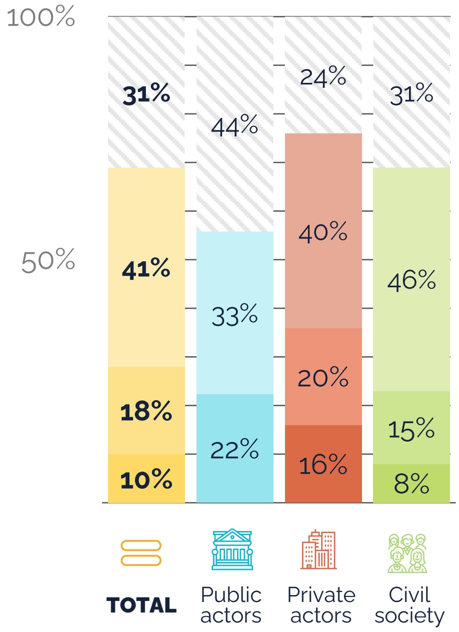
- **Sector-specific indicators are needed to better track how financial actors are transforming their activities and the emissive corporate activities they are facilitating with facilitated emissions.**
- Display the part of the balance sheet and part of revenue covered by the calculation of each indicator displayed.
- **It is not yet possible to have common indicators for the whole financial center, but some indicators stand out as relevant for monitoring the transformation by sector of each activity.**
- Differentiate the indicators according to the type of financial actor concerned (banks, asset managers, asset owner, insurance…) in terms of leverage that they have on the real economy.
- **Some financial activities are not covered by indicators used on green finance reporting even though they represent significant leverage and a significant contribution to global warming. We need to develop relevant indicators to identify them and cover all significative financial activities of each financial fields.**
- **It makes sense to focus on the financial activities which are directly connected to the real economy, therefore tracking the financial activities which are financing the primary market.**
- **It is essential to track both financed activities and facilitated activities of all financial fields.**

WHAT ARE THE PRIORITY SECTORS TO FOLLOW ?

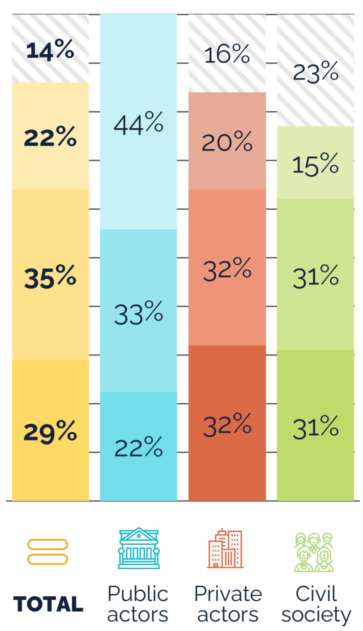


IN WHICH SECTORS DO FINANCIAL INSTITUTIONS HAVE THE MOST LEVERAGE?

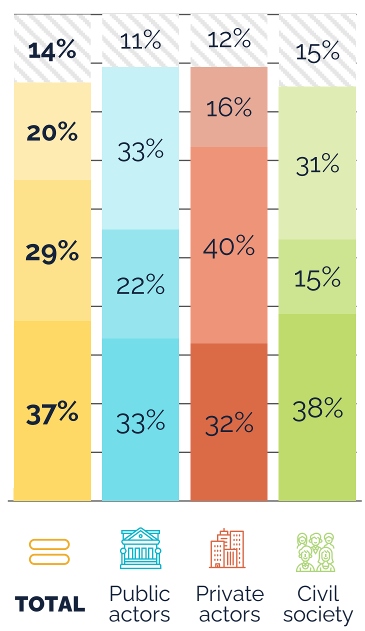
AGRICULTURE

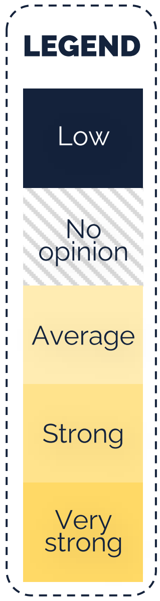


INDUSTRY

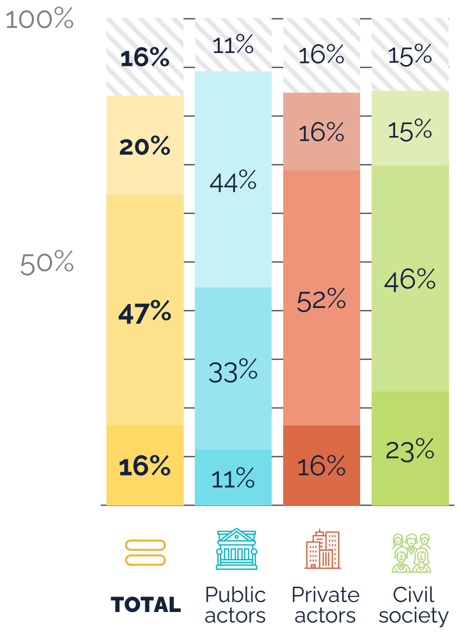


REAL ESTATE

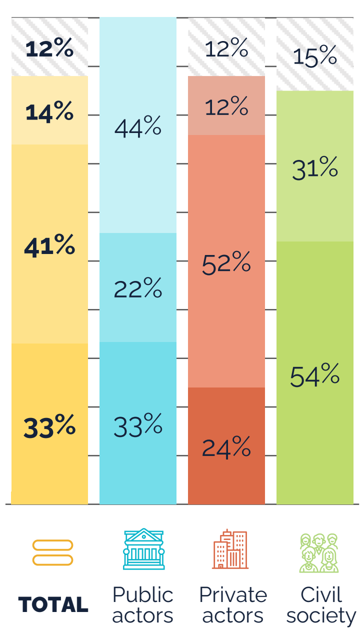




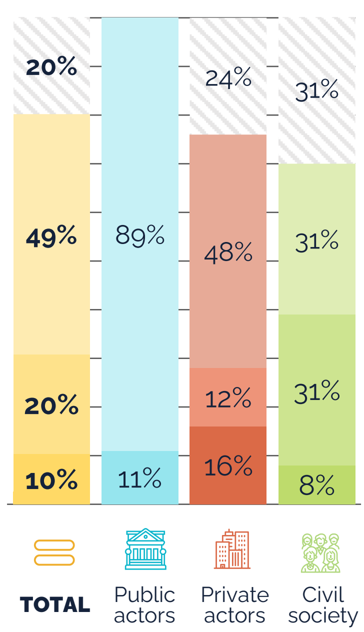
TRANSPORT / MOBILITY



ENERGY



WASTE



QUESTIONS

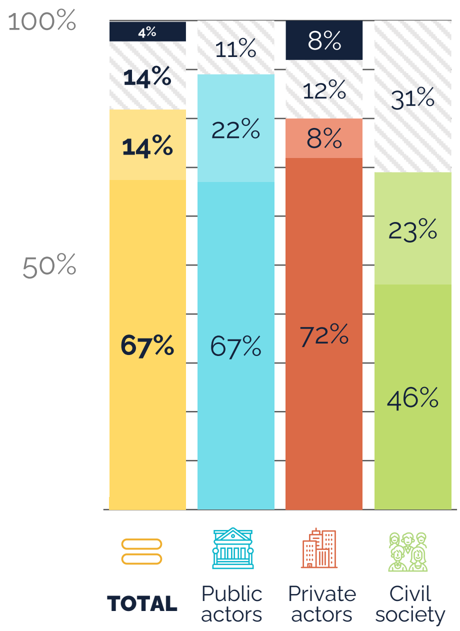
1. Which sectors are central to the ecological transition?
2. In which sectors do each financial actors have the most leverage?
3. How does private financing complement public financing in each sector?
4. Are there specific indicators for each sector?
5. Is it more relevant to seek an indicator that monitor the transformation on all sectors or develop specific indicators for each sector?

FIRST LEADS

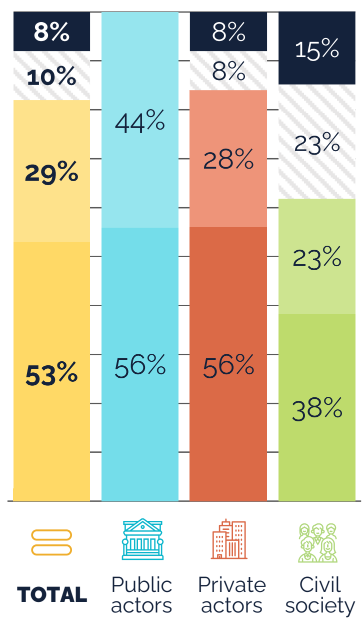
- For banks, use the sectors breakdown by NACE code as recommended by Pillar 3 reporting of the Bale Accord.
- For the most emitting sectors, develop specific indicators according to the leverage of the financial actor.
- Tracking the transformation of emissive sectors are as much important than tracking the fossils fuels sector are their closely connected and supporting each other.

WHICH OF THE FOLLOWING REGULATORY/STANDARD INDICATORS ALLOW MONITORING OF THE TRANSFORMATION OF FINANCIAL ACTORS?

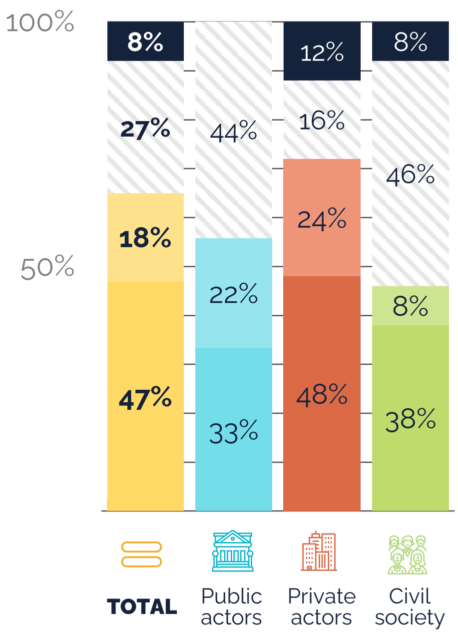
ART.29 ON CLIMATE



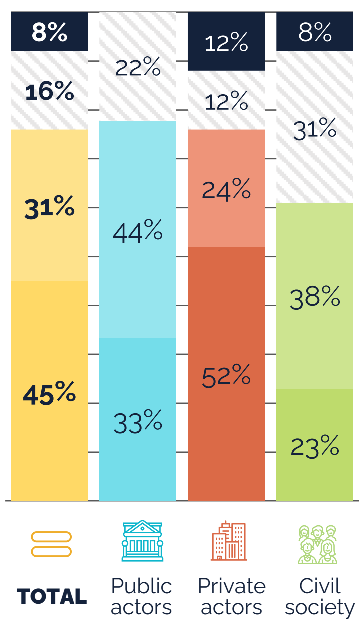
TAXONOMY



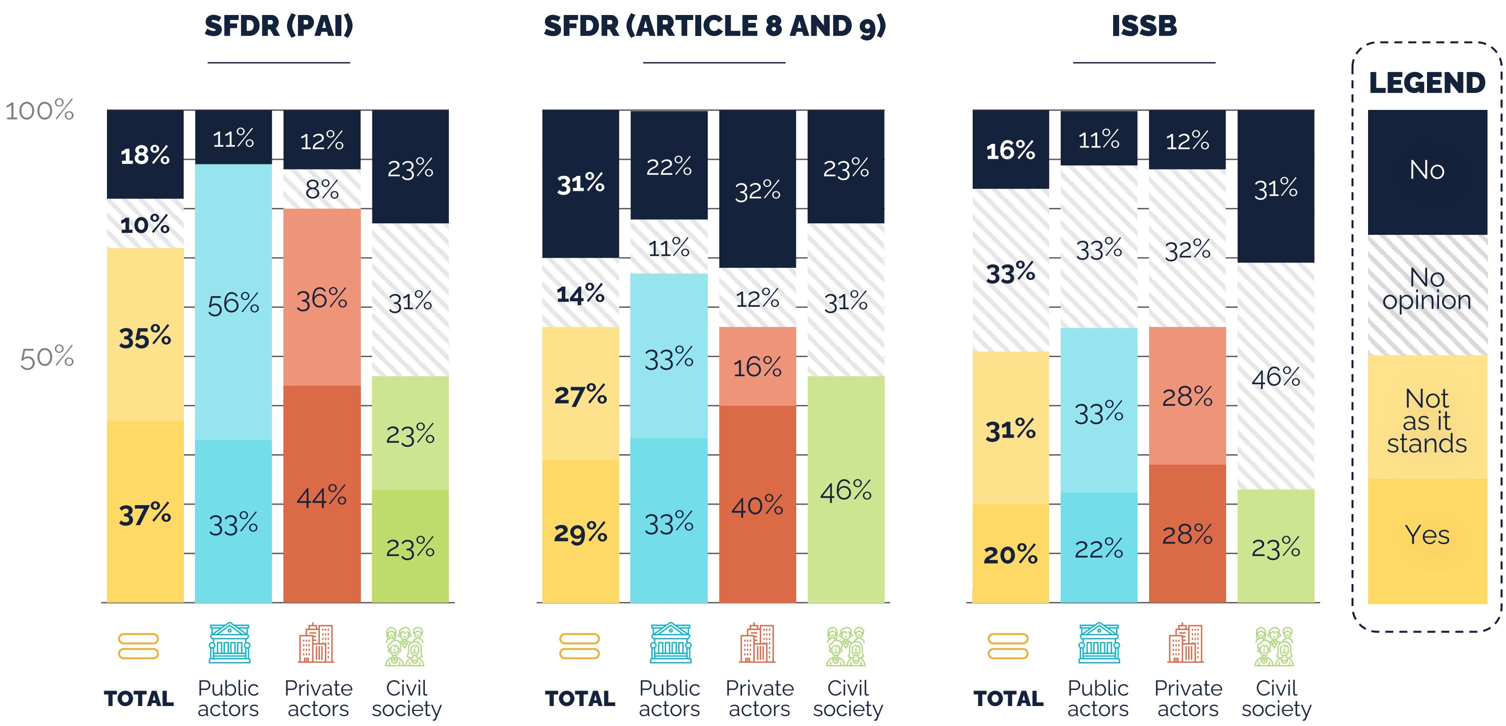
CSRD ACCORDING TO EFRAG RECOMMENDATIONS



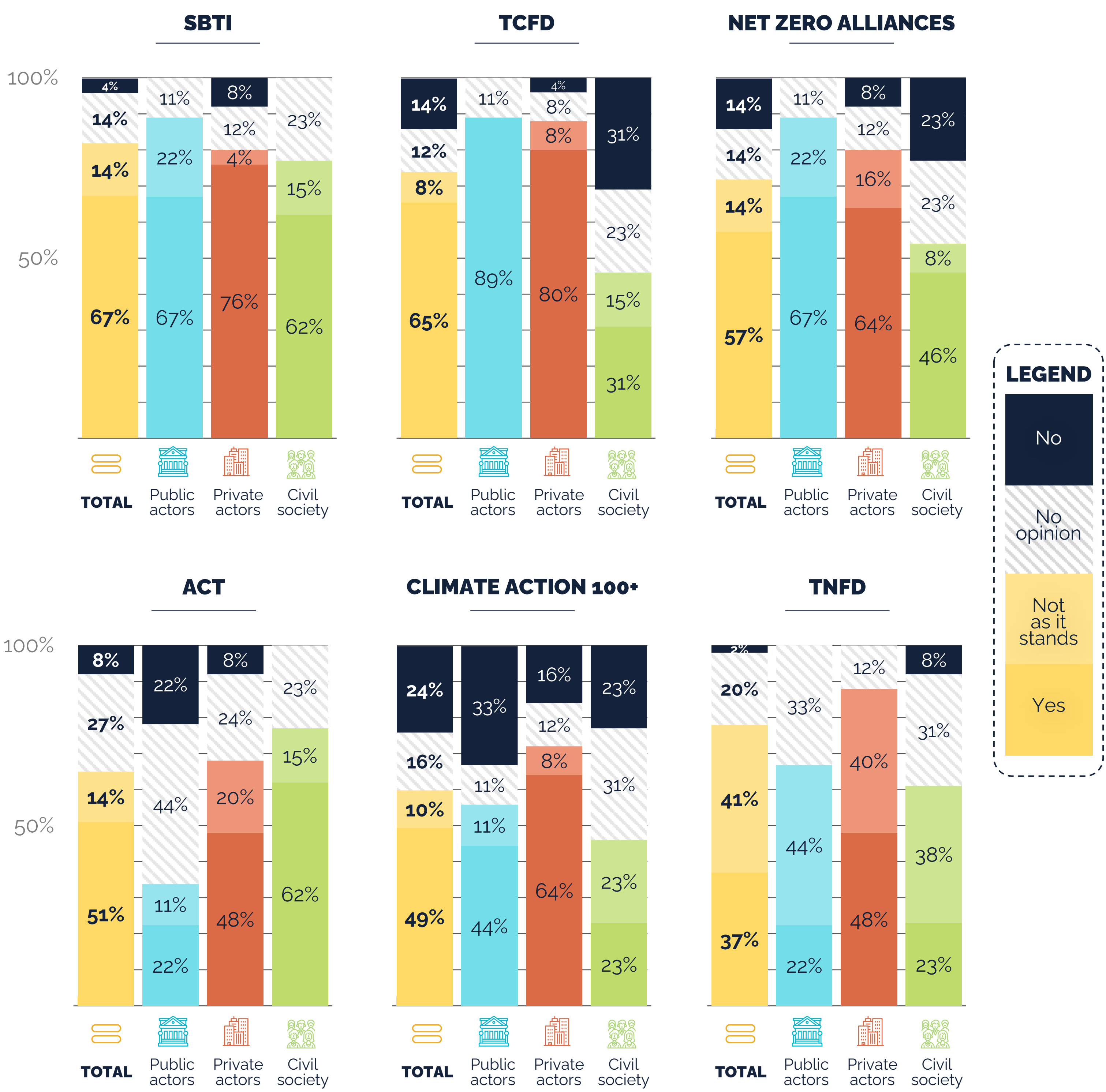
ART.29 ON BIODIVERSITY



WHICH OF THE FOLLOWING REGULATORY/STANDARD INDICATORS ALLOW MONITORING OF THE TRANSFORMATION OF FINANCIAL ACTORS?



WHICH OF THE FOLLOWING INITIATIVE ALLOW MONITORING OF THE TRANSFORMATION OF FINANCIAL ACTORS?



QUESTIONS

1. Are the regulatory indicators sufficient to monitor the transformation of actors?
2. Do the actors covered by the regulations represent a significant share of the actors per financial fields?
3. Are the initiatives ambitious enough so that their adhesion by financial actors is relevant to monitor?

FIRST LEADS

- **Reporting requirements coming from the regulation identified so far are not sufficient to track the real contribution to the global alignment of the finance toward a Net Zero Economy, especially with the simple materiality approach, which confirms the need of complementary reporting.**
- There is still a lack of common definition and methodology to get the reporting comparable and relevant. We need to push for the homogenisation of methodologies used to comply with regulatory requirements.
- Regulation with simple materiality approach will need complementary reporting to track the contribution on Net-Zero.

2. INDICATORS

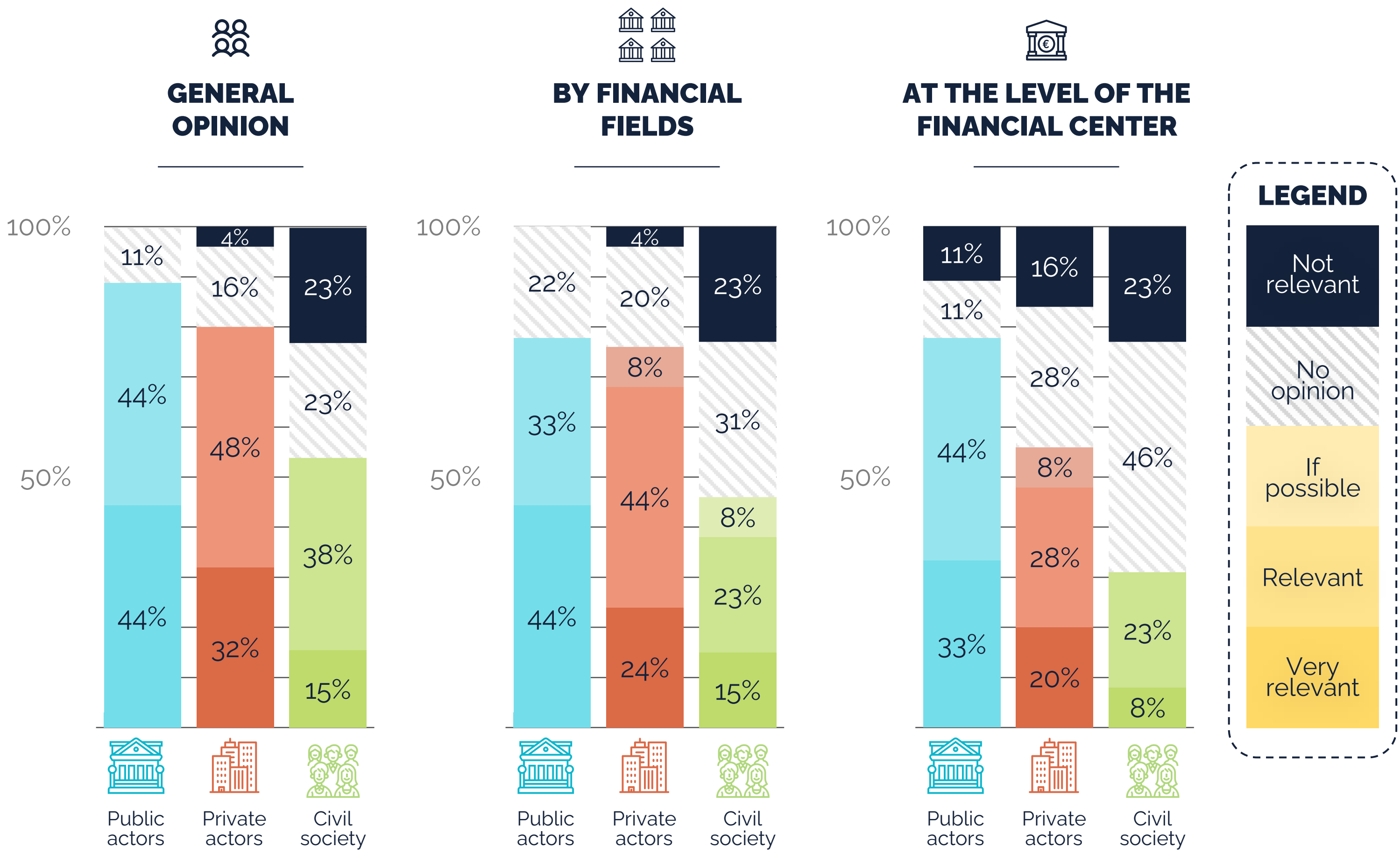
INVESTMENT / FINANCING OF SUSTAINABLE ACTIVITIES ACCORDING TO THE EUROPEAN TAXONOMY

76%

of respondents consider this indicator relevant

69% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

57% of respondents consider this indicator to be relevant for the monitoring of all financial activities



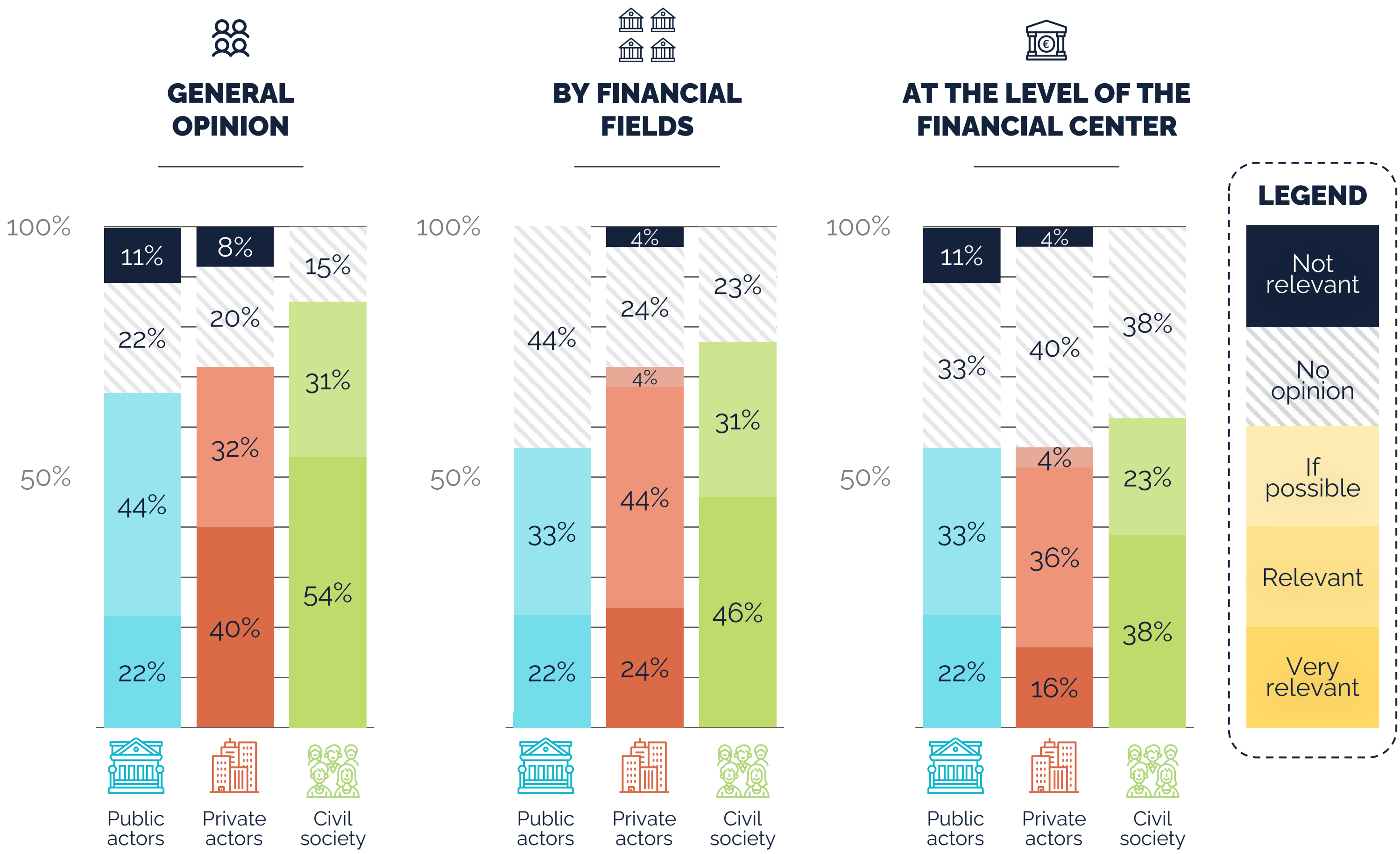
INVESTMENT / FINANCING OF ACTIVITIES "HARMFUL" TO THE CLIMATE AND BIODIVERSITY

76%

of respondents consider this indicator relevant

71% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

61% of respondents consider this indicator to be relevant for the monitoring of all financial activities



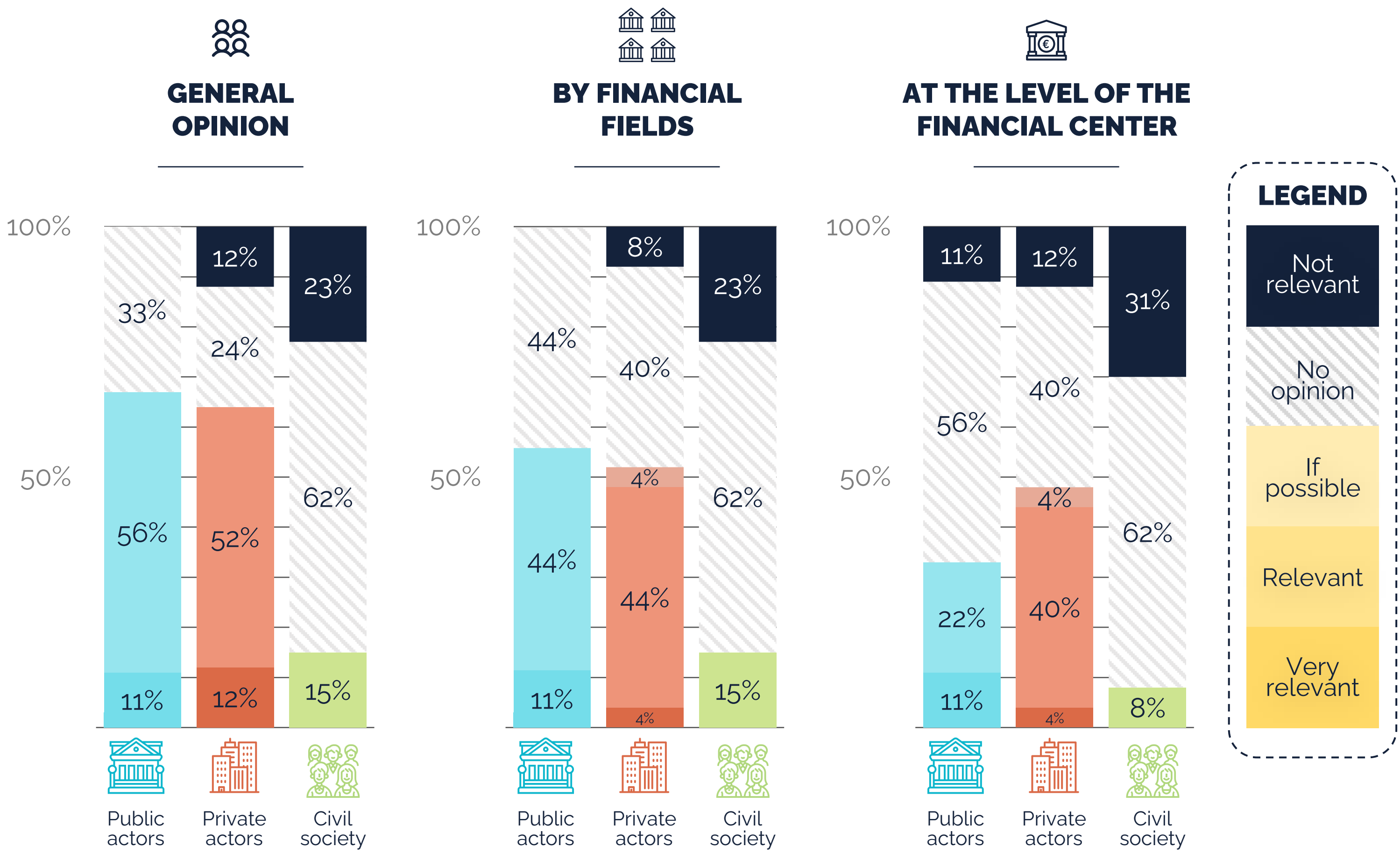
ISSUING / STRUCTURING / INVESTING IN SUSTAINABLE BONDS

49%

of respondents consider this indicator relevant

41% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

35% of respondents consider this indicator to be relevant for the monitoring of all financial activities



EMISSIONS / INVESTMENTS IN LABELLED PRODUCTS

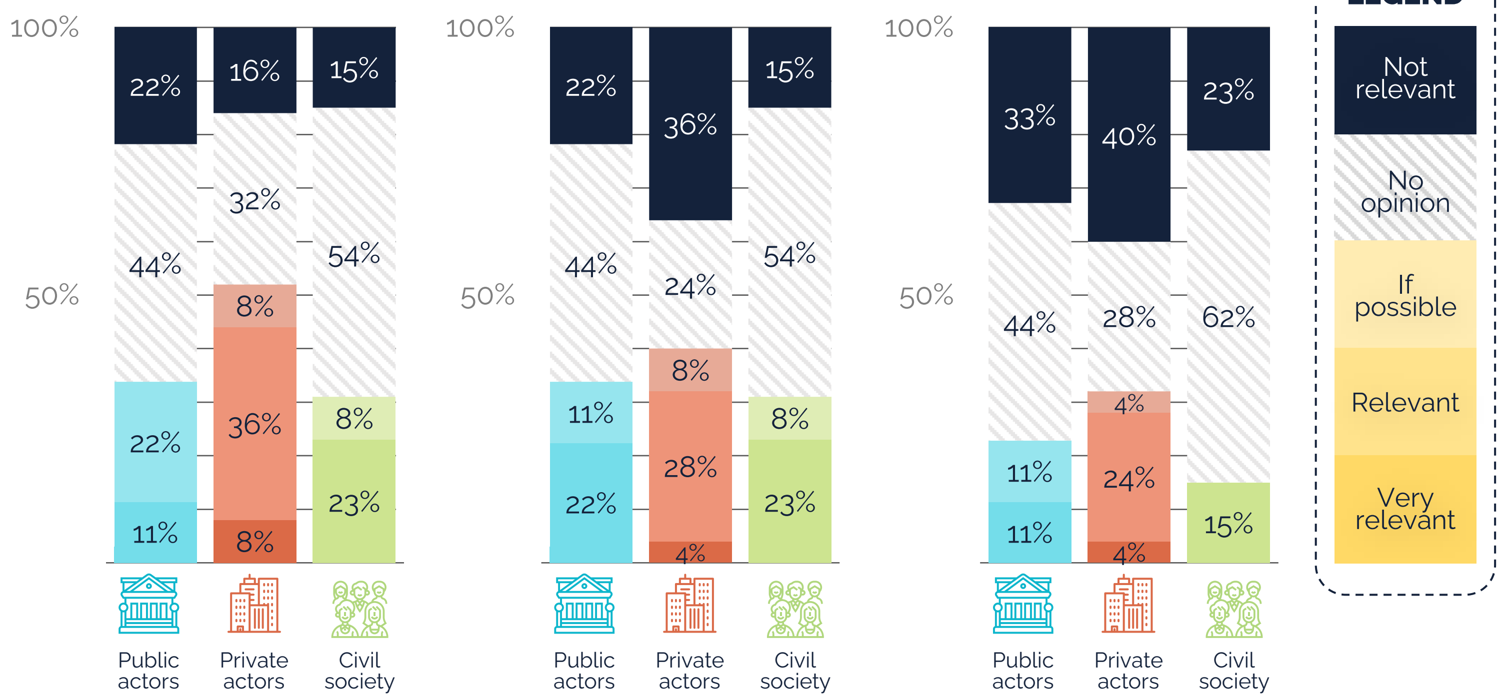
41%

of respondents consider this indicator relevant

35% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

27% of respondents consider this indicator to be relevant for the monitoring of all financial activities

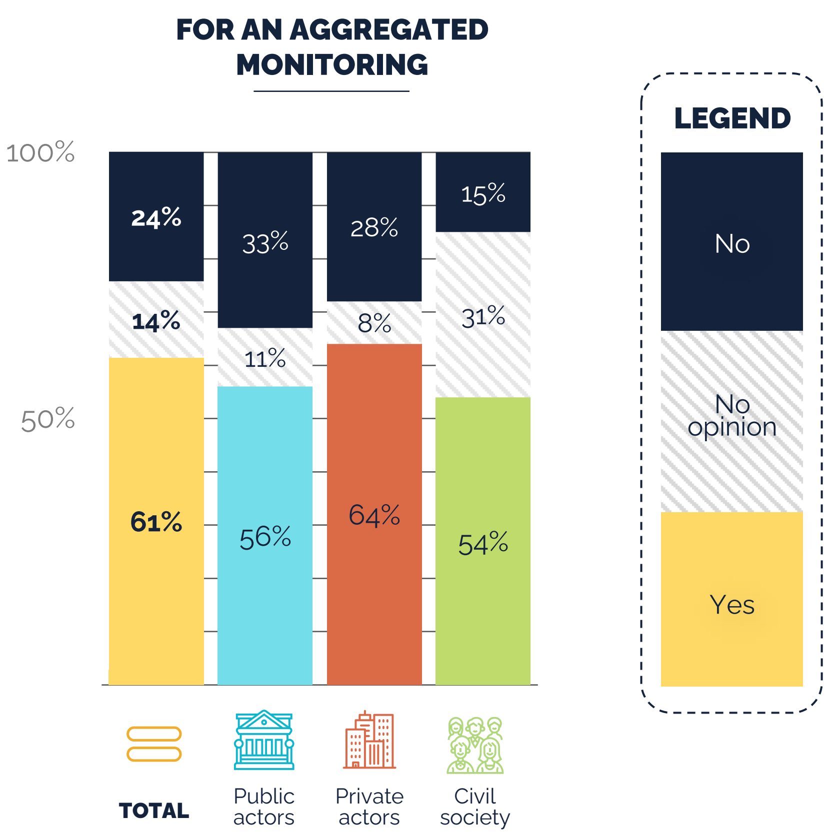
GENERAL OPINION | **BY FINANCIAL FIELDS** | **AT THE LEVEL OF THE FINANCIAL CENTER**



IS IS ADVISABLE ADDING UP SECTORAL EXPOSURES, IN MILLIONS OF EUROS, BETWEEN ACTORS USING DIFFERENT METHODOLOGIES, IN ORDER TO GIVE AN ESTIMATED VIEW AT THE LEVEL OF THE MARKET?

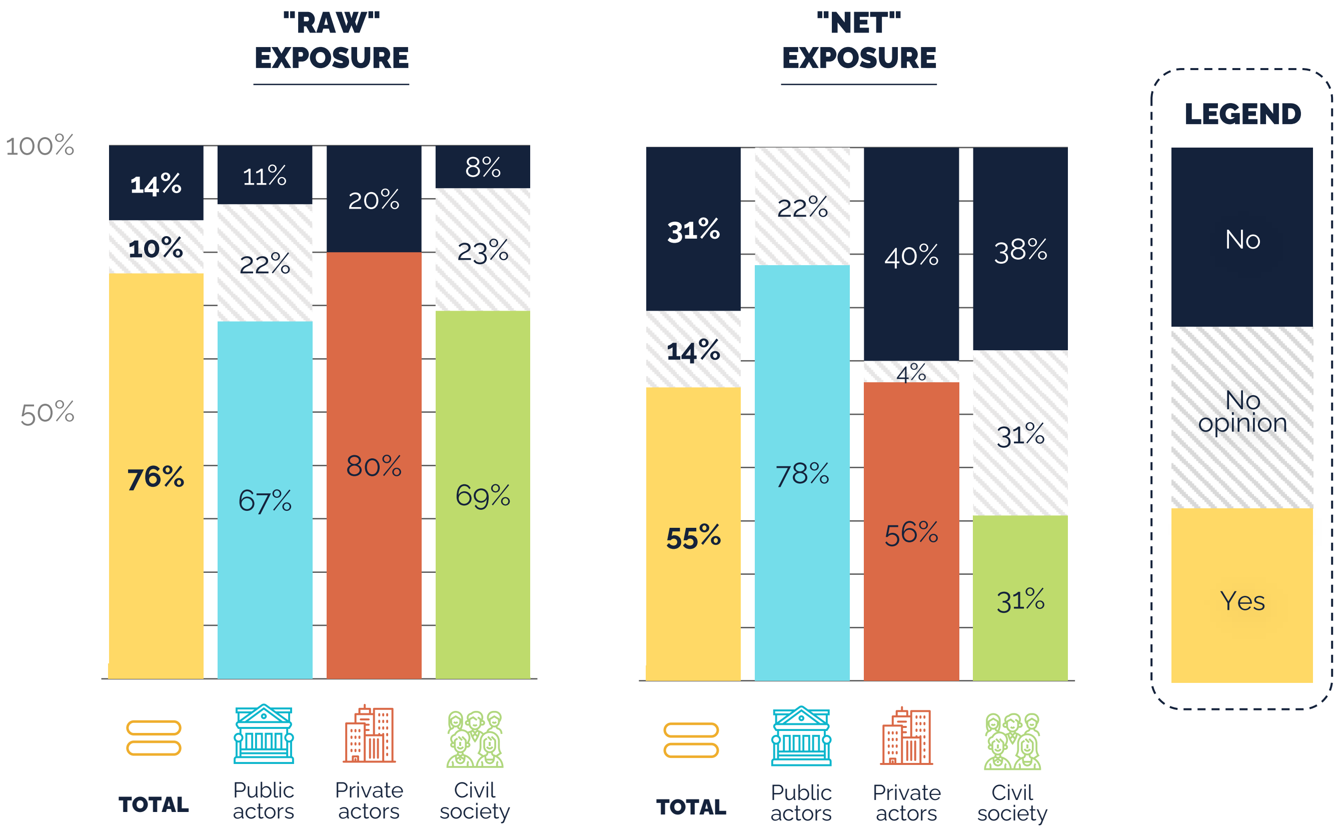
Different lists can be used to calculate exposure, for example for coal (S&P Trucost, Urgewald, etc.).

Adding up the exposures would result in estimates that are more or less robust but that will give an order of magnitude that is easily understood by savers or investors. Keeping the calculations separate, according to the methodology used, will make it possible to maintain accurate and perfectly comparable figures but would make the aggregation of data sometimes impossible and more complicated to read by savers.



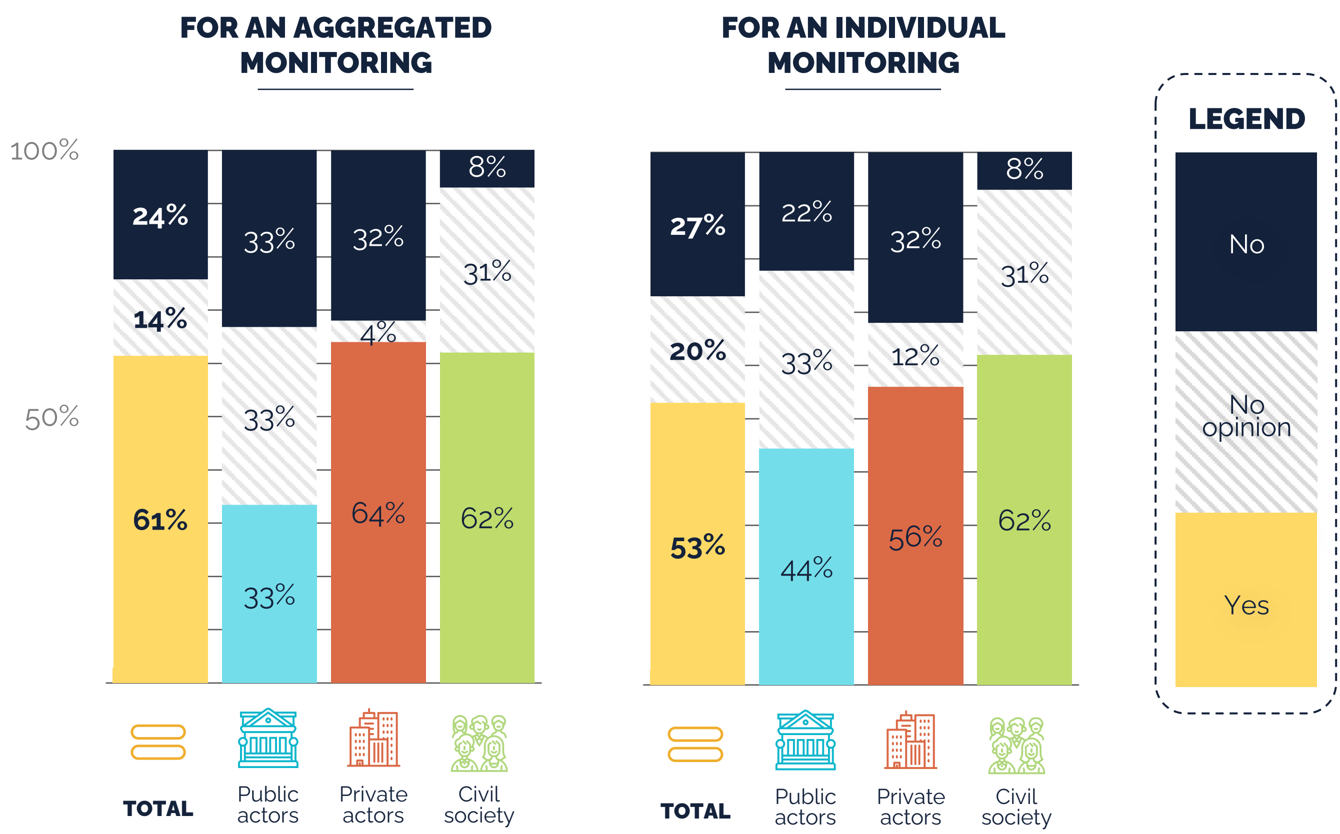
IS IT ADVISABLE TO SETT UP TWO TYPES OF SECTORAL EXPOSURE INDICATORS TO INTEGRATE THE TRANSITION PLAN OF ISSUERS ?

Some actors present two exposure calculations, a "gross" one based on exposure to the companies on various lists (Urgewald, Trucost, etc.) and a "net" one that removes from these lists the companies that have a fossil fuel exit plan that corresponds to the one requested by the financial actor.

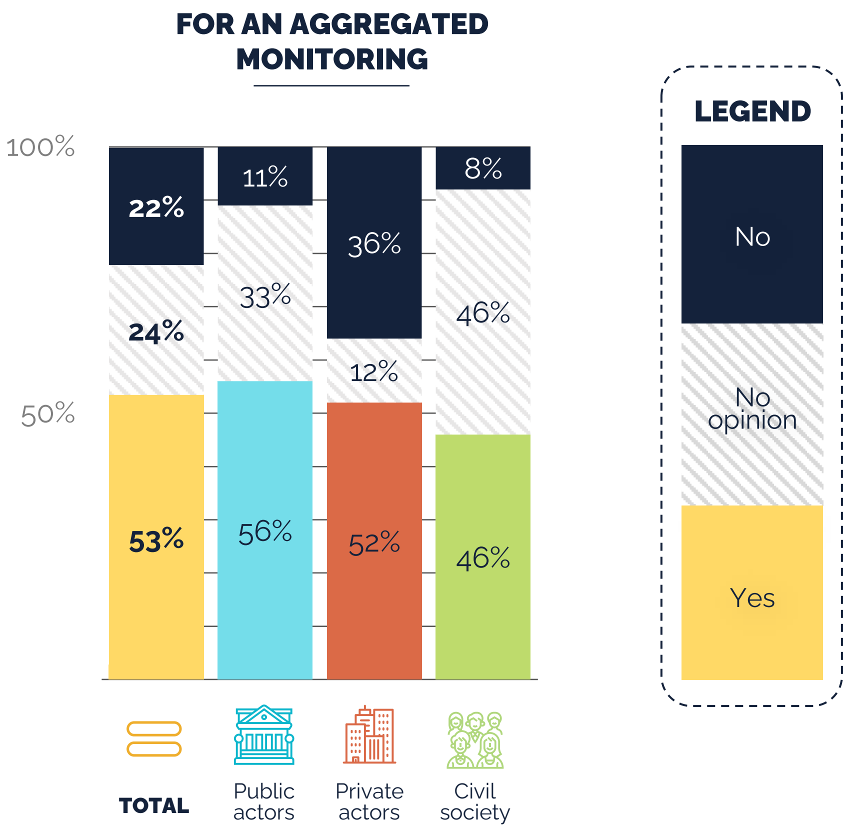


IS IT RELEVANT TO CALCULATE AN EXPOSURE INCLUDING THE ACTORS WHO ARE HEAVY USERS OF EACH FOSSIL ENERGY (E.G. PRODUCTION OF FERTILISERS FROM NATURAL GAS, TRADITIONAL AUTOMOBILE SECTOR, AVIATION, ETC.)?

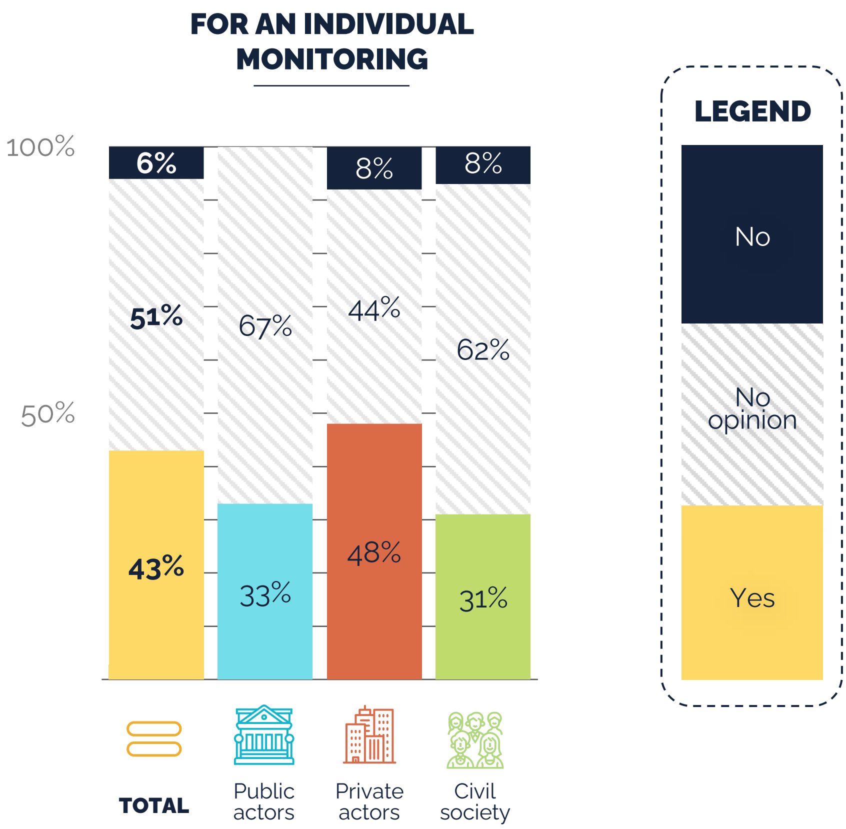
The calculation of exposure to fossil fuels is currently calculated at best on the whole value chain of each energy.



WHILE WAITING FOR A TAXONOMY OR A TRANSITION LABEL AT EUROPEAN LEVEL, IS IT ADVISABLE TO SET UP A LIST OF COMPANIES IN TRANSITION IN THE MANNER OF WHAT IS DONE ON THE COAL/OIL LISTS?



IS ACT METHODOLOGY RELEVANT TO ESTABLISH THIS LIST?



QUESTIONS

1. How to get an exposure on fossils at a country level?

    1.1. How to avoid double counting when aggregating the sectorial exposure within different financial fields or at the financial center level?

2. How to get the whole exposure on the fossils fuel activities including their whole value chain and companies' dependent of fossils fuels activities?

    2.1. How can we consider exposures to companies with high exposure to emissive sectors (production of fertilisers from natural gas, traditional automobile sector, aviation, etc.) ?

    2.2. Regarding the big differences of exposure to fossil fuels using the GOGEL methodology or the Bale Agreement's Pillar 3 reporting for the same financial activity which reporting shall be used?

3. What perimeters of corporate activities should be considered when calculating exposures to 'harmful' sectors? How to handle multi-activities corporate?

4. How should financing for activities in transition be considered?

    4.1. The need for a transition taxonomy is pointed by the participants of the study. Can an approach by list such GCEL but for transitioning company be considered?

FIRST LEADS

- **Most participants declare that tracking the investment on green bonds and labelised products doesn't help to track the transformation of financial actors.**
- Stop publishing on the Observatory sustainable bonds indicators based on ICMA recommendations and only track the amount certified by the Climate Bonds Initiative.
- Stop publishing on the Observatory the label indicators (amounts invested in labelled funds such as the SRI French Label, Greenfin and other European labels).
- Publish the exposure of actors to companies that respect a predefined transition plan (net exposure) on the fossil fuel sector at first, then on the most emitting sectors.
- The guidelines for a credible transition plan need to be defined.
- **There is a consensus to publish exposure on fossils fuels including the companies with high exposure to emissive sectors (production of fertilisers from natural gas, traditional automobile sector, aviation, etc.)**
- Aggregate the data within a financial field for calculating exposure to fossil fuels despite the differences in methodologies while waiting for the homogenisation of methodologies.
- Differentiate financing according to maturity in the context of bank financing as asked by Pillar 3.
- Publish the aligned share of activities (eligible for this year and aligned after).
- **One of the first priorities is to finance the transition, therefore there is a need for a public database to refer on, such as a transition taxonomy or a list of companies on transition based on methodology such as ACT with an open access to this list.**
- Track the maximum of indicators in flows and stock to have a better view of the transformation.

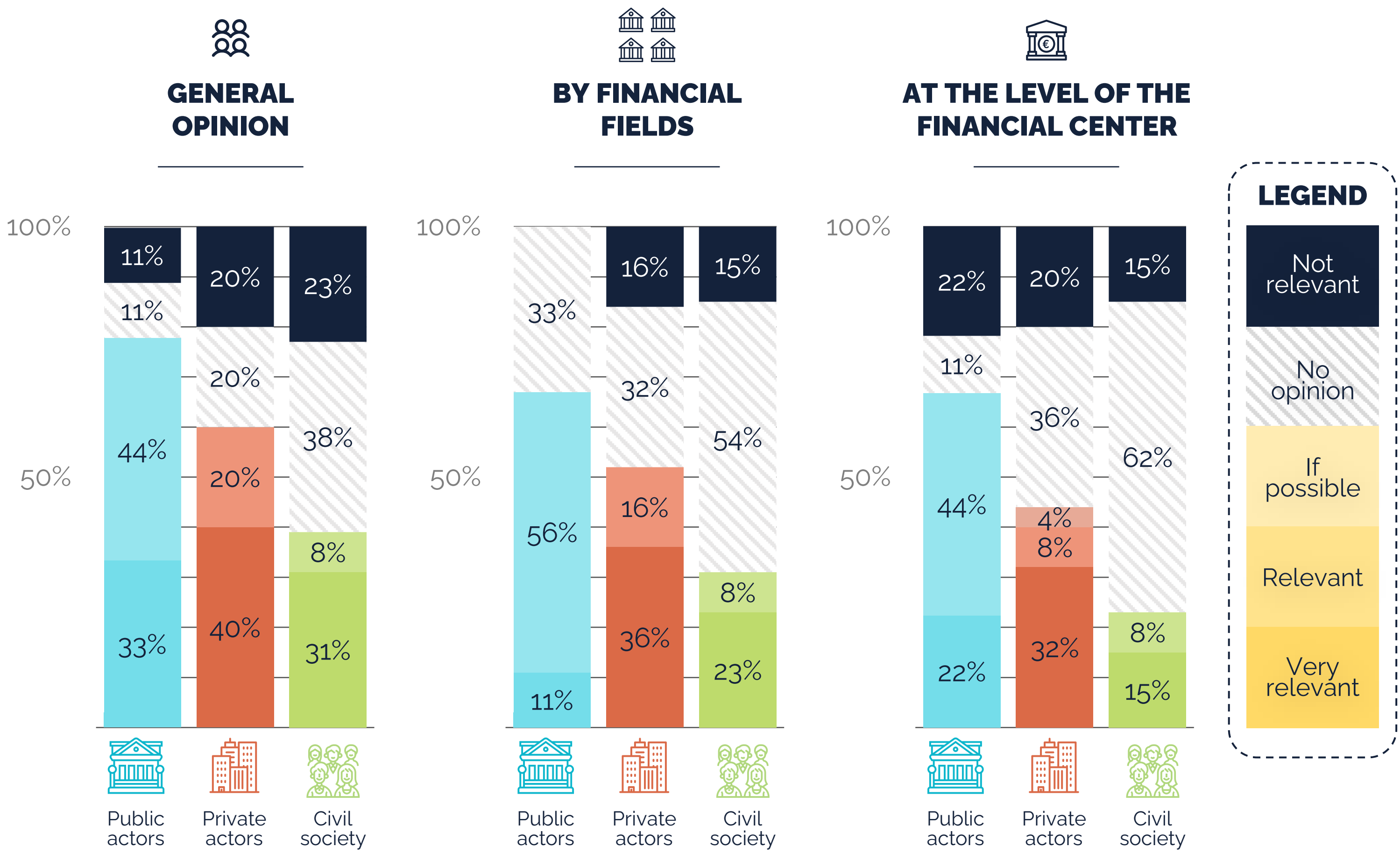
ABSOLUTE GHG EMISSIONS (SCOPE 1 AND 2) BY SECTORAL BREAKDOWN OF THE PORTFOLIO / BALANCE SHEET

57%

of respondents consider this indicator relevant

49% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

43% of respondents consider this indicator to be relevant for the monitoring of all financial activities



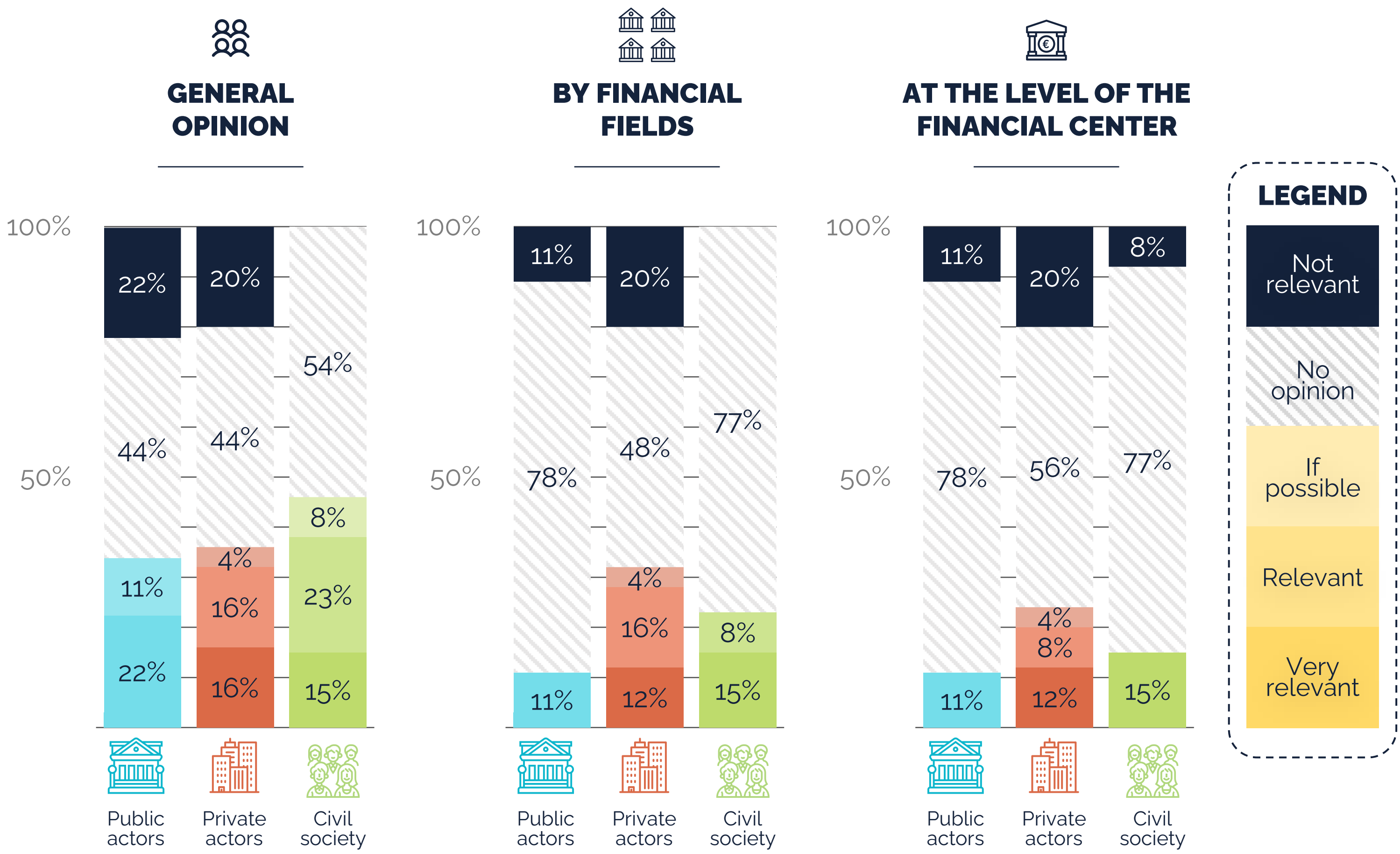
ABSOLUTE GHG EMISSIONS (INCLUDING SCOPE 3) BY SECTORAL BREAKDOWN OF THE PORTFOLIO / BALANCE SHEET

73%

of respondents consider this indicator relevant

57% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

51% of respondents consider this indicator to be relevant for the monitoring of all financial activities



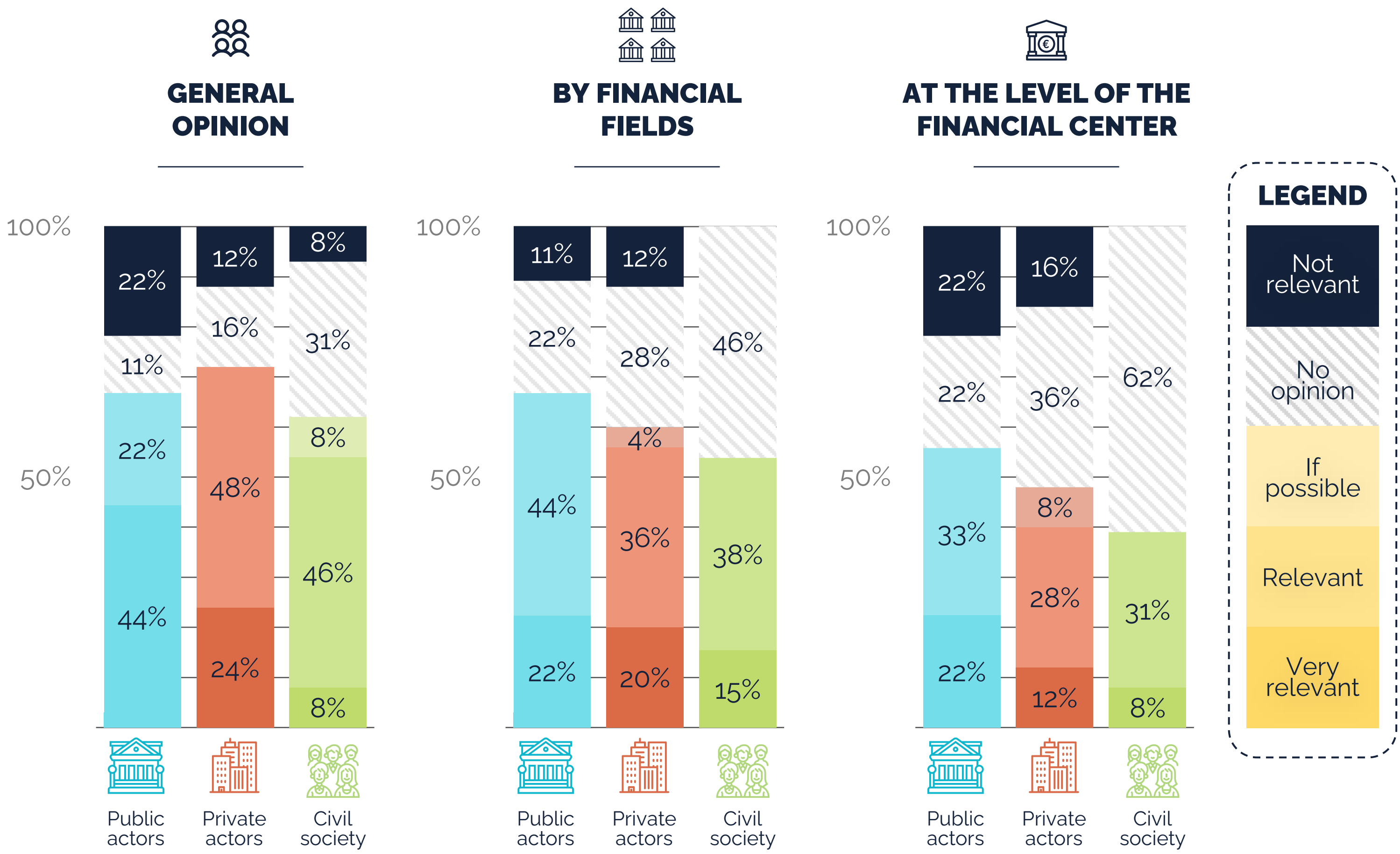
CARBON INTENSITY BY SECTORAL BREAKDOWN OF THE PORTFOLIO / BALANCE SHEET

65%

of respondents consider this indicator relevant

57% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

47% of respondents consider this indicator to be relevant for the monitoring of all financial activities



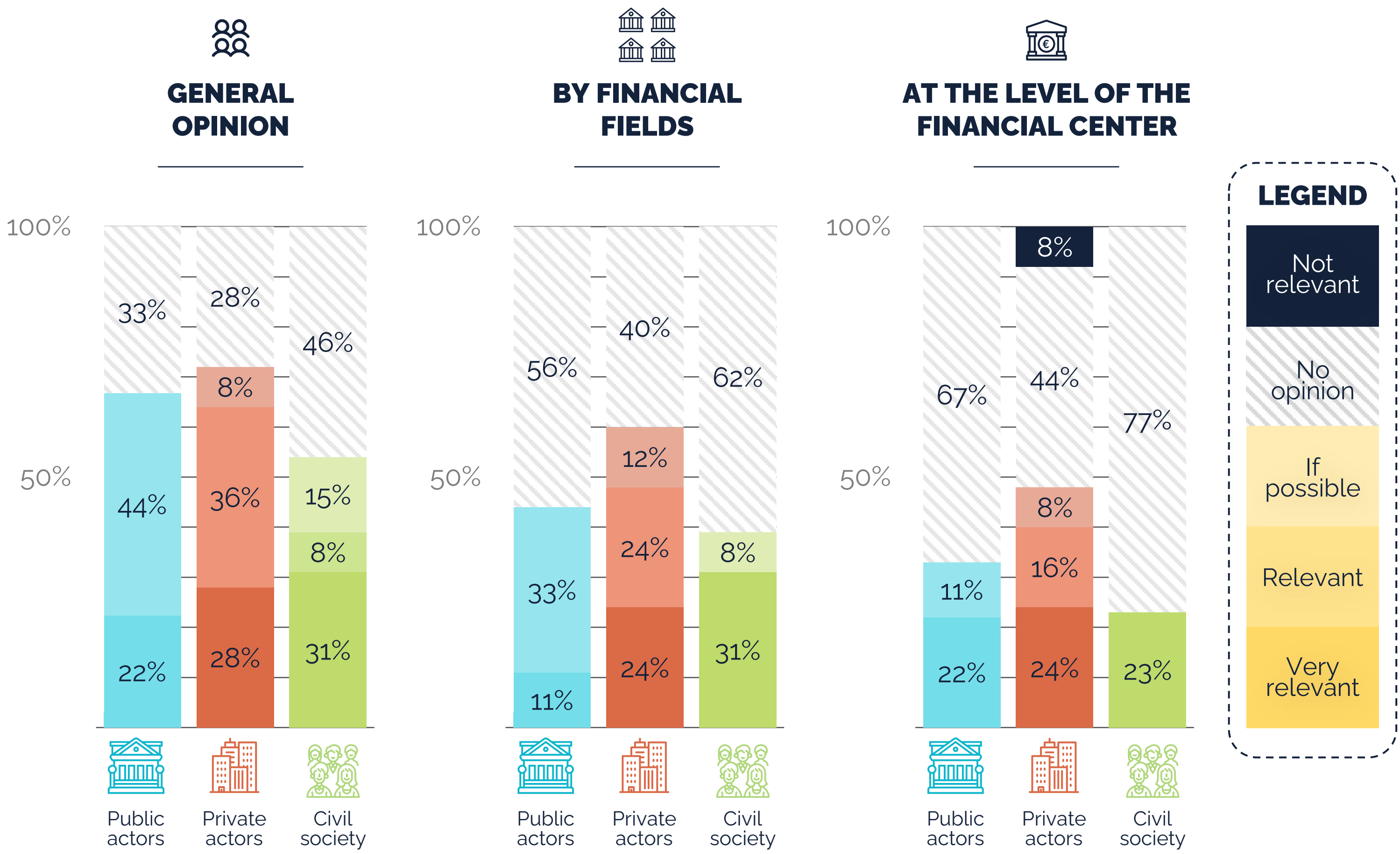
BIODIVERSITY FOOTPRINT OF THE PORTFOLIO / BALANCE SHEET

67%

of respondents consider this indicator relevant

53% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

43% of respondents consider this indicator to be relevant for the monitoring of all financial activities



QUESTIONS

1. How to measure the GHG emissions on the financial sectors despite gaps reporting due to the use of different methodologies?

   1.1. Which proxy indicators can be used to complete missing scope 3 reporting?

   1.2. Which methodology could allow to cover all emissions of financial actors?

2. Should the results be differentiated by type of activities (e.g. for asset management companies, differences between active and passive management emissions)?

3. Which methodology can be used to make sure carbon intensity indicators don't depend on a volatile denominator?

   3.1. Can we aggregate the results of carbon intensities despite the differences in methodologies?

4. Should biodiversity indicators be added?

   4.1. Is the biodiversity footprint indicator mature enough to propose an aggregated publication?

FIRST LEADS

On GHG emissions:

- **Regarding GHG reporting, despite the quality of databases of emissions available, the difference of databases used, methodologies and perimeters covered, especially on scope 3 financed and facilitated leads to big gaps on the reporting of financial actors, which make the reports difficult to compare.**
- Present scope 1 and 2 and scope 3 separately.
- Aggregate the different reporting despite the differences in methodologies as in a global approach such as the Observatory we can accept to not be completely accurate as the more important is to track the progress year on year.
  - Define which scope is considered in the calculation of scope 3.[15]
  - Define a common proxy indicator to fill all scope 3 without reporting.
  - Ask for the uses of the NZDPU reporting from 2023.
- Present carbon intensities only by sector of activity (energy, transport, etc.) with a defined physical unit.
- Publish a biodiversity footprint indicator despite the different methodologies used.

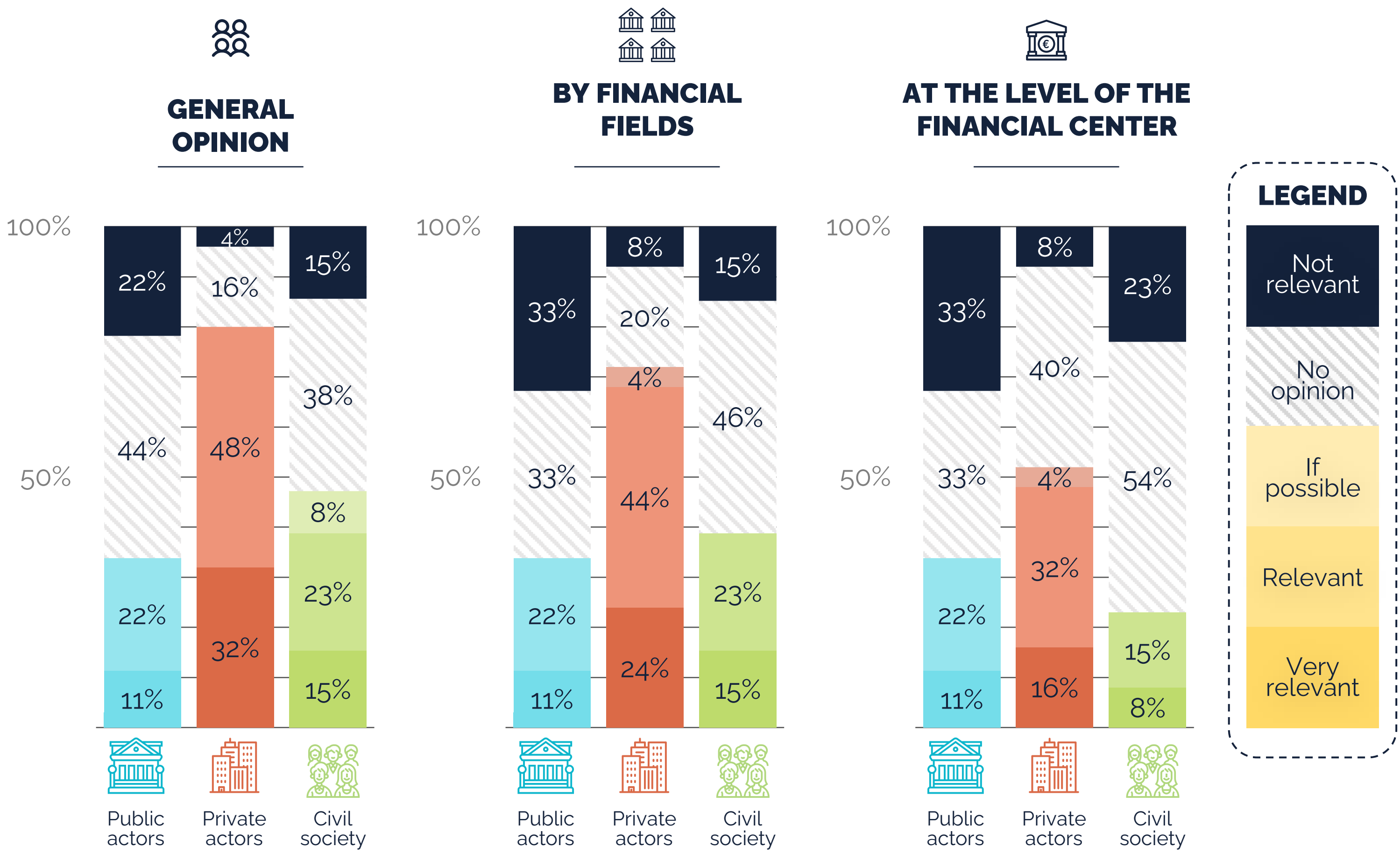
CALCULATING THE TEMPERATURE OF THE PORTFOLIO OR BALANCE SHEET

63%

of respondents consider this indicator relevant

57% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

45% of respondents consider this indicator to be relevant for the monitoring of all financial activities



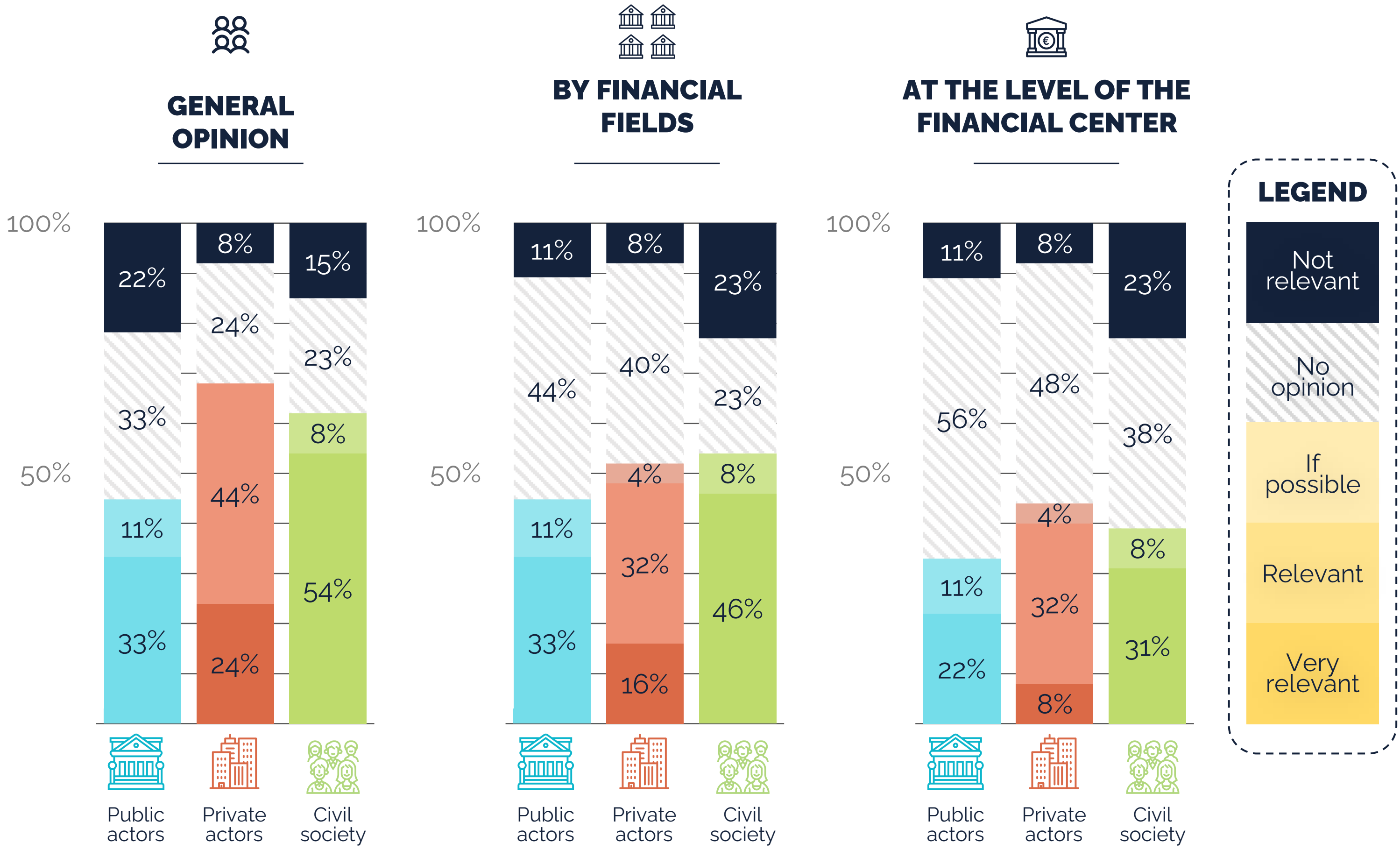
PORTFOLIO OR BALANCE SHEET SECTOR ALIGNMENT CALCULATION

63%

of respondents consider this indicator relevant

53% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

45% of respondents consider this indicator to be relevant for the monitoring of all financial activities



PORTFOLIO OR BALANCE SHEET ENERGY MIX IN GWH

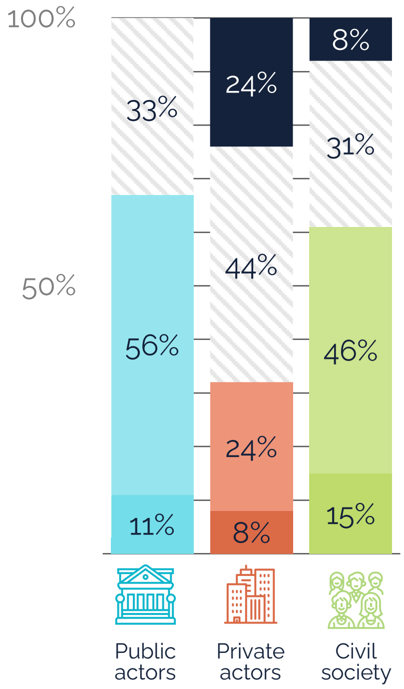
49%

of respondents consider this indicator relevant

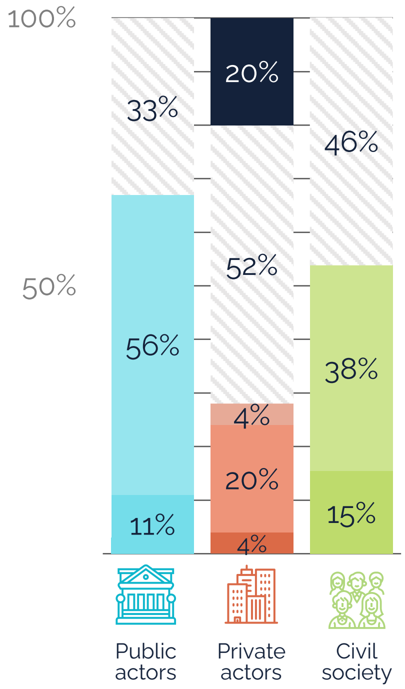
45% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

41% of respondents consider this indicator to be relevant for the monitoring of all financial activities

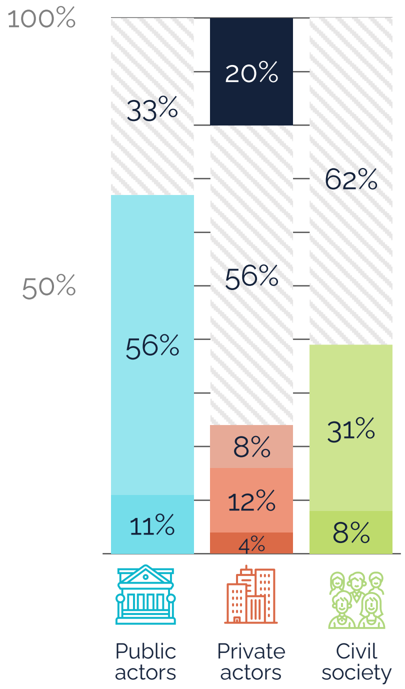
GENERAL OPINION



BY FINANCIAL FIELDS

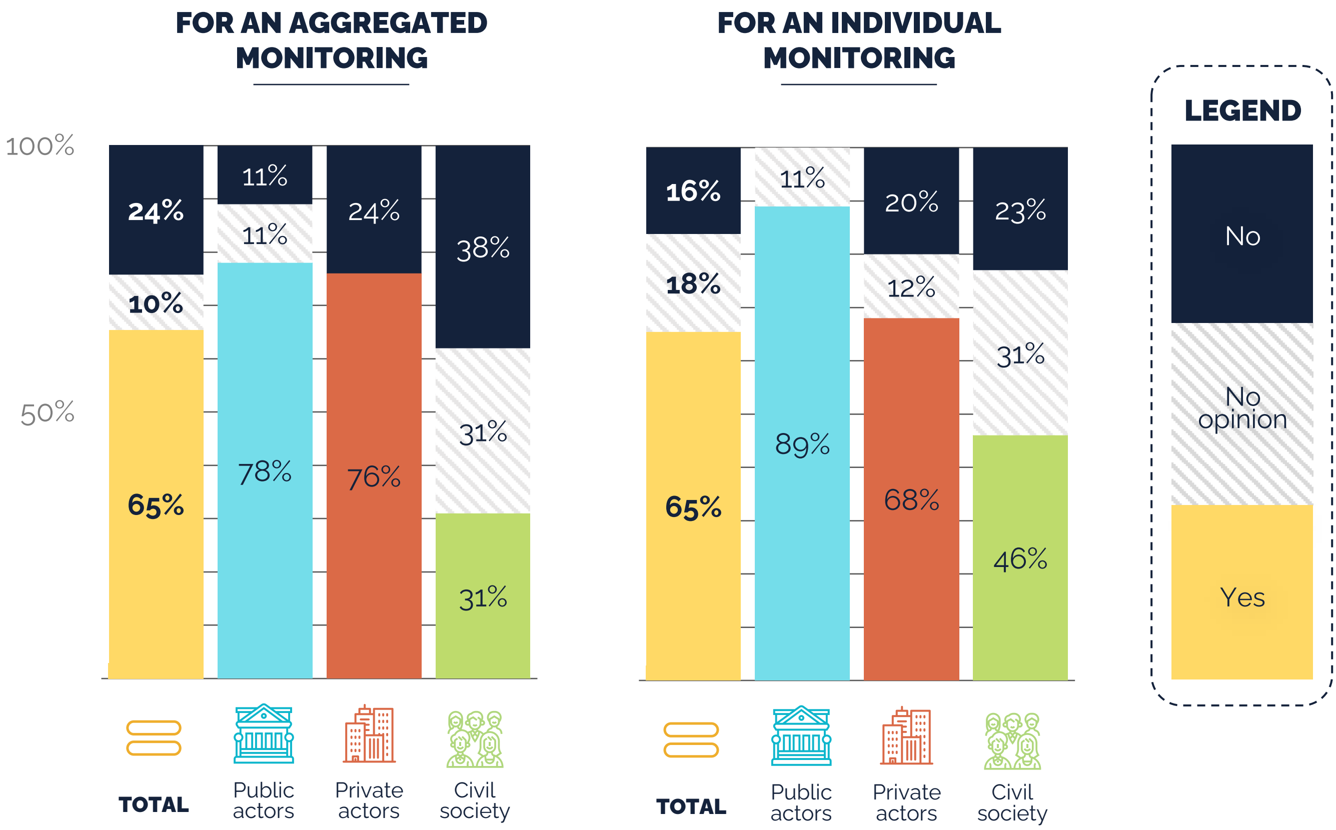


AT THE LEVEL OF THE FINANCIAL CENTER



IS IT RELEVANT TO GROUP THE ALIGNMENT RESULTS INTO 2 OR 3 IN ORDER TO GIVE A GLOBAL VISION?

This proposal is made in the context of the publication of a strategy for alignment with the Paris Agreement, and in the absence of a reference methodology.
The levels could be : levels (Aligned <1.5°C // between 1.5 and 3°C/ over 3°C)



QUESTIONS

1. How to overcome the challenges of methodologies that still lack maturity and lack of comparison between results?

FIRST LEADS

- Group the actors' results into three groups: ¨% of actors whose alignment is <1.5°C; between 1.5°C and 3°C; >3°C.
- Carry out an alignment calculation with the same methodology on a representative scope of the country and follow the trend.

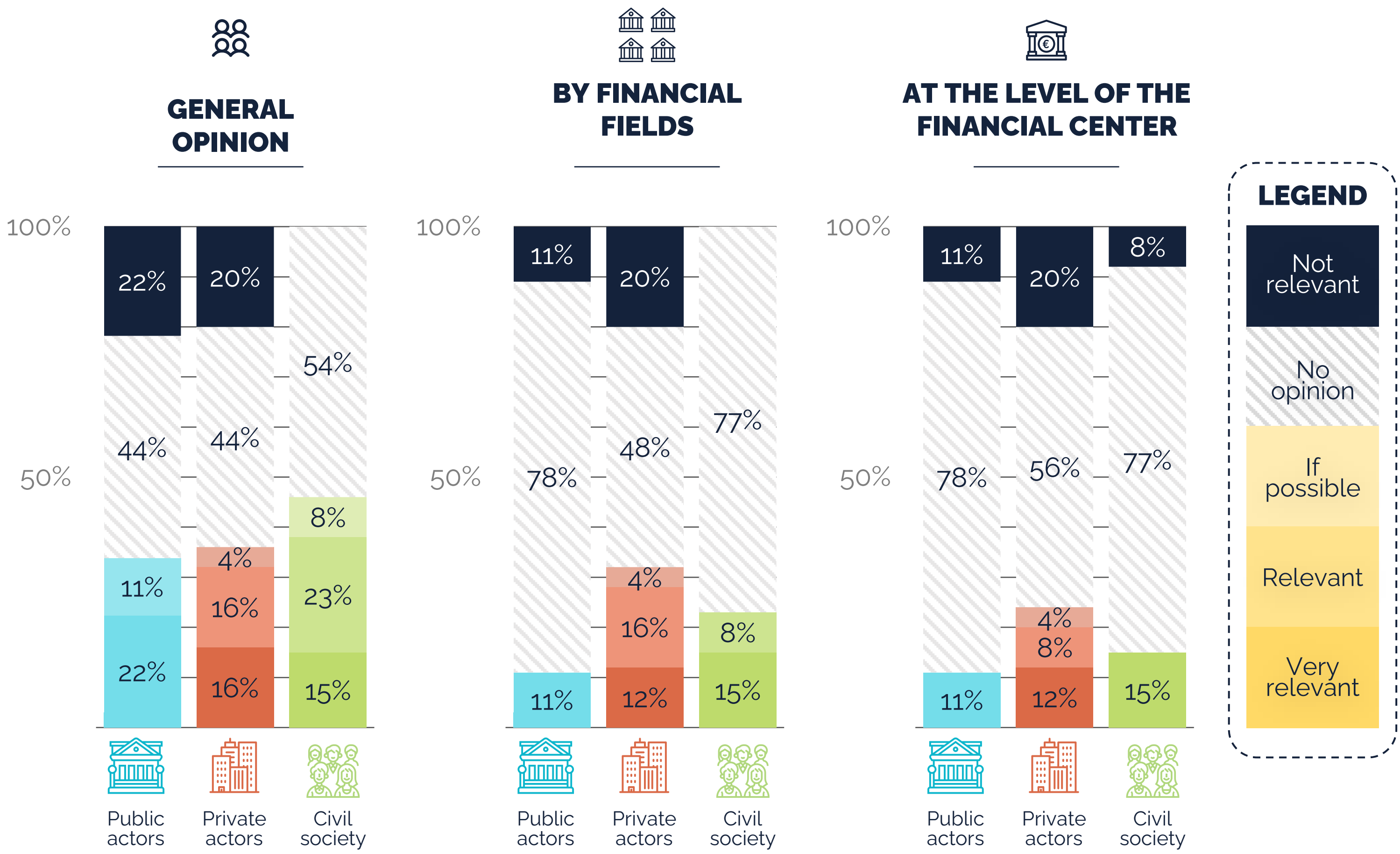
CALCULATION OF CONTRIBUTION TO THE REAL ECONOMY

41%

of respondents consider this indicator relevant

29% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

51% of respondents consider this indicator to be relevant for the monitoring of all financial activities



QUESTIONS

1. How to get a common definition of contribution to the real economy as many participant requested it?
2. Can the results of actors be aggregated despite differences in methodologies and definitions of impact?
3. How to aggregate the potential contribution to the real economy?

FIRST LEADS

- We need to push for the use of a common definition (example of the one develop by the Impact Paris Financial Center Group) and indicators to measure impact or in other words to track the contribution to the real economy.

IS IT RELEVANT TO SUMMARISE PRACTICES ON A SCALE OF 5, USING FOR EXAMPLE THE NUTRISCORE FORMAT, FOR THE DECIPHERING OF ENERGY POLICIES (COAL, OIL, GAS...)

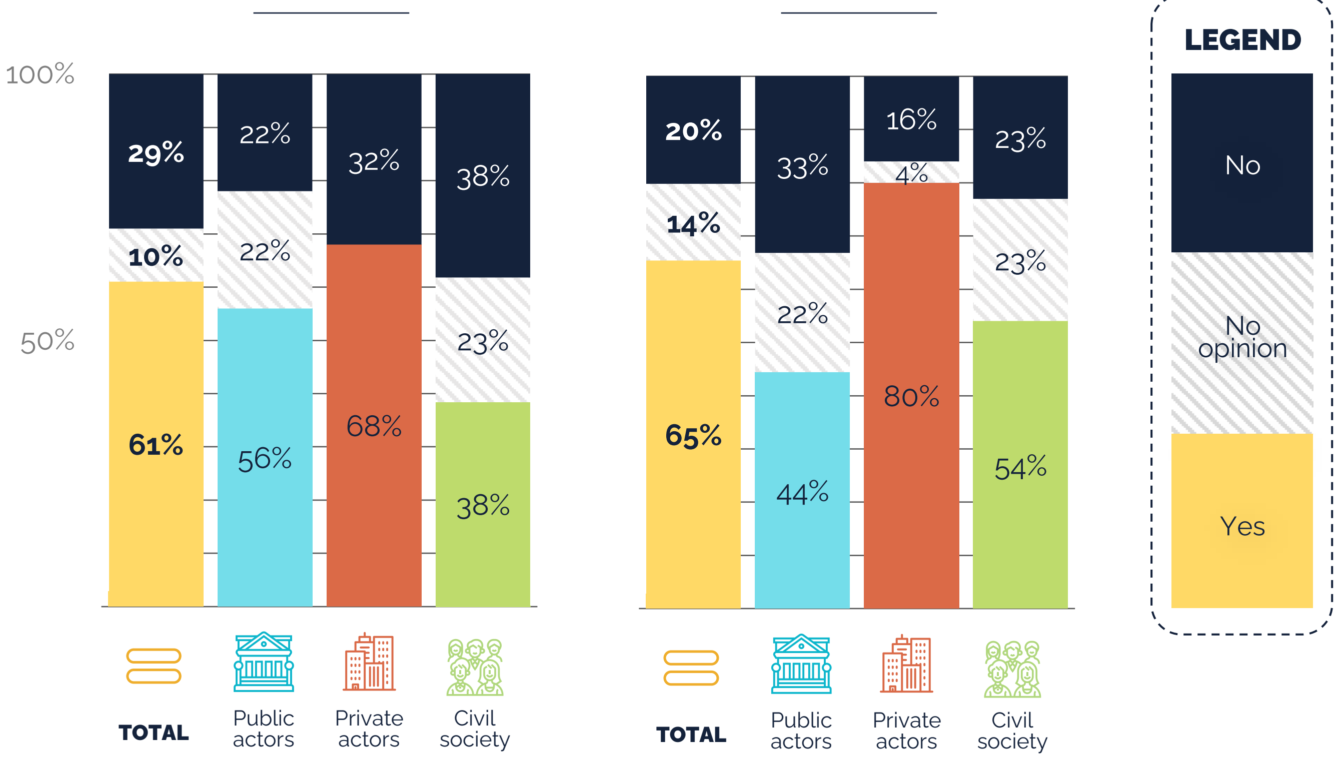
The monitoring of policies is very detailed and can be complicated to decipher without an informed eye.The score could look like this :

Threshold 0:
No exit policy

Threshold 5:
Full exit policy in the sense of the supervisors' recommendations.

FOR AN AGGREGATED MONITORING

FOR AN INDIVIDUAL MONITORING



QUESTIONS

1. Currently the sectoral policies are aggregate by different criterion (number of actors which have exclusion policies, number of actors who apply this policies to their whole balance sheet,...). On coal policies there are around 10 indicators that need to be analysed to grasp how the financial actors are changing. How could it be simplified into one indicator?

FIRST LEADS

- Create a grid on few steps (5 for example) ranking sectorial policies based on the best practices and science recommendations and classify the financial actors in it.

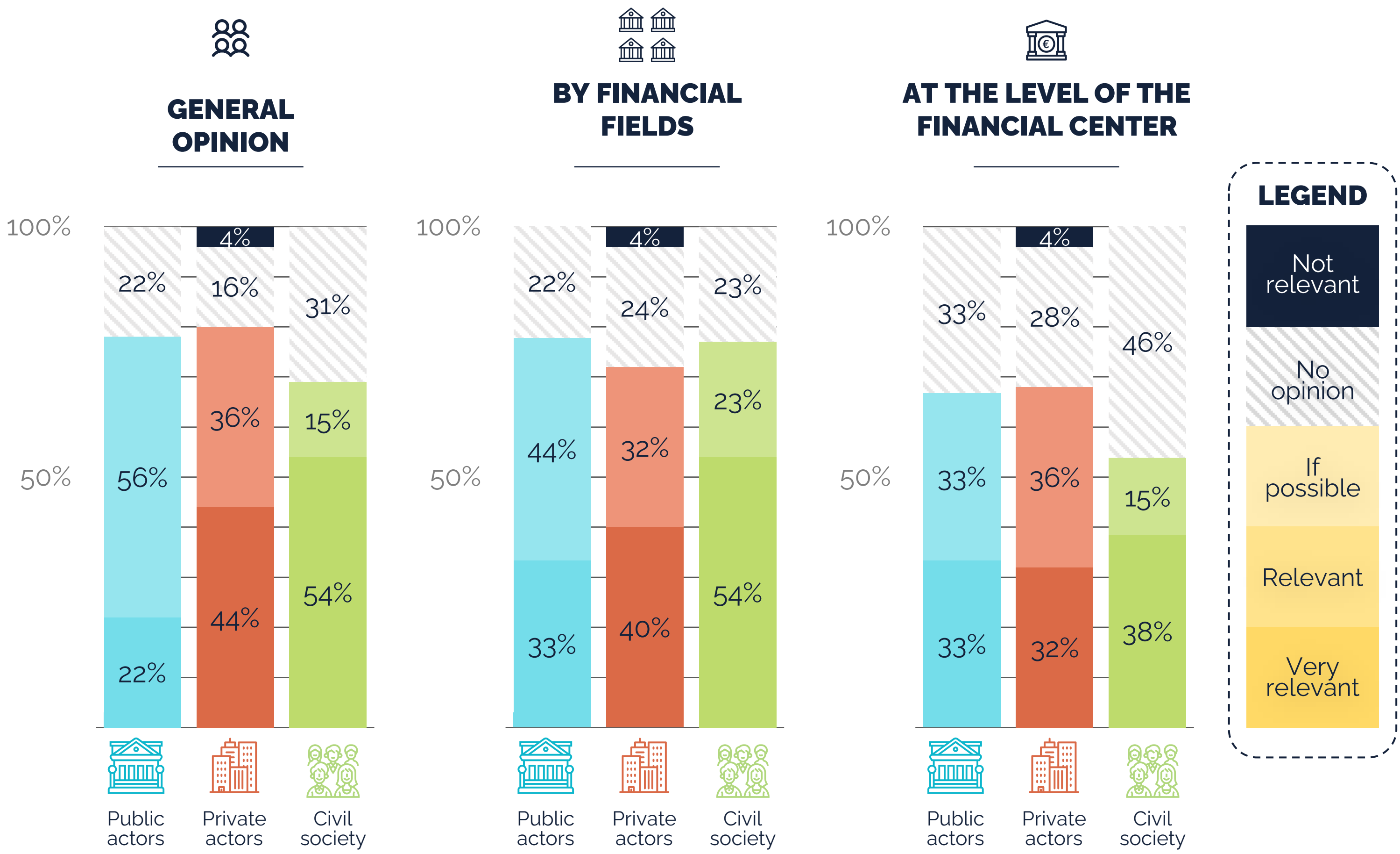
SHARE OF BOARD MEMBERS WITH FINANCIAL INCENTIVES LINKED TO ESG OBJECTIVES

80%

of respondents consider this indicator relevant

76% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

67% of respondents consider this indicator to be relevant for the monitoring of all financial activities



AVERAGE TRAINING TIME ON ESG ISSUES (IN HOURS)

51%

of respondents consider this indicator relevant

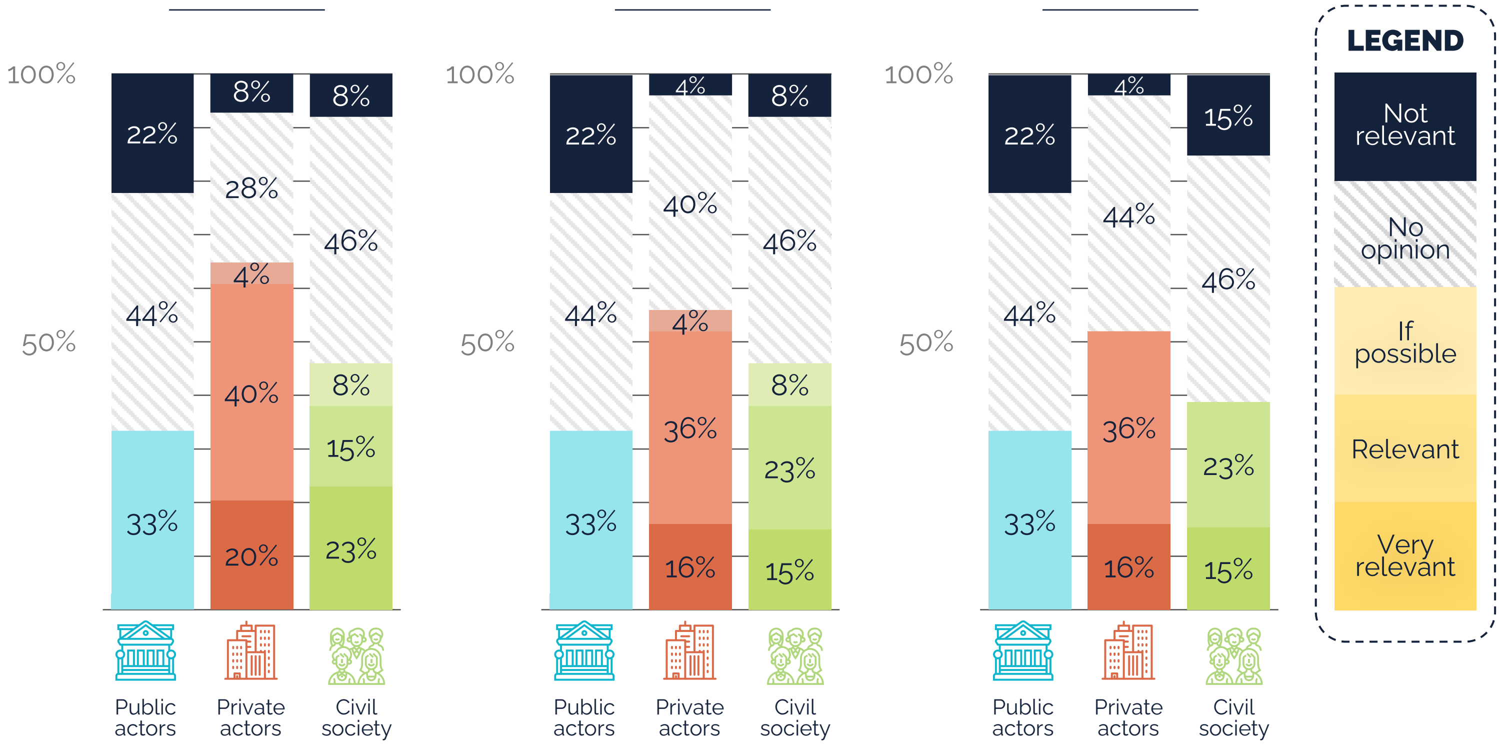
47% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

45% of respondents consider this indicator to be relevant for the monitoring of all financial activities

GENERAL OPINION

BY FINANCIAL FIELDS

AT THE LEVEL OF THE FINANCIAL CENTER



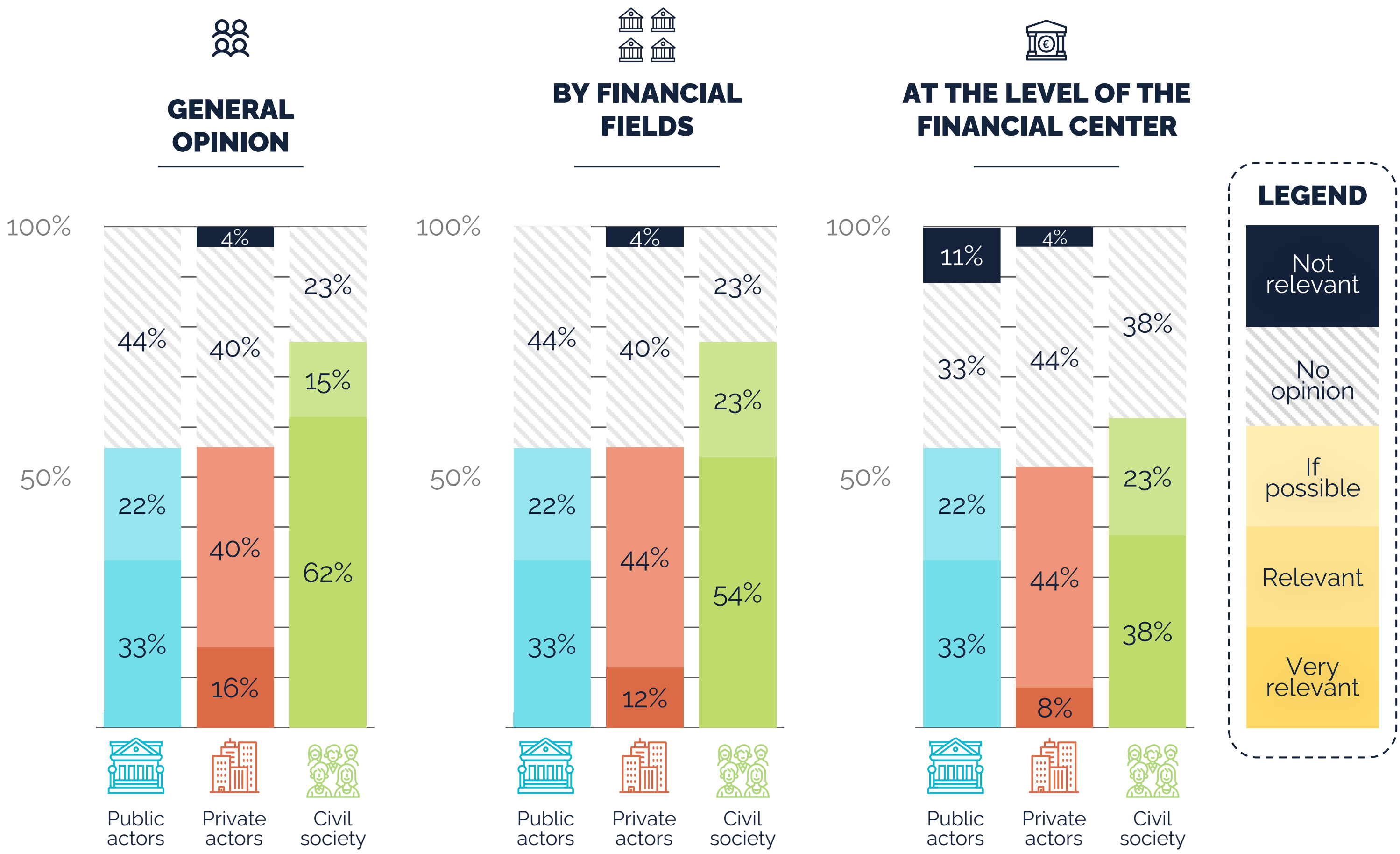
AVERAGE VARIABLE REMUNERATION INDEXED ON ENVIRONMENTAL CRITERIA

63%

of respondents consider this indicator relevant

63% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

59% of respondents consider this indicator to be relevant for the monitoring of all financial activities



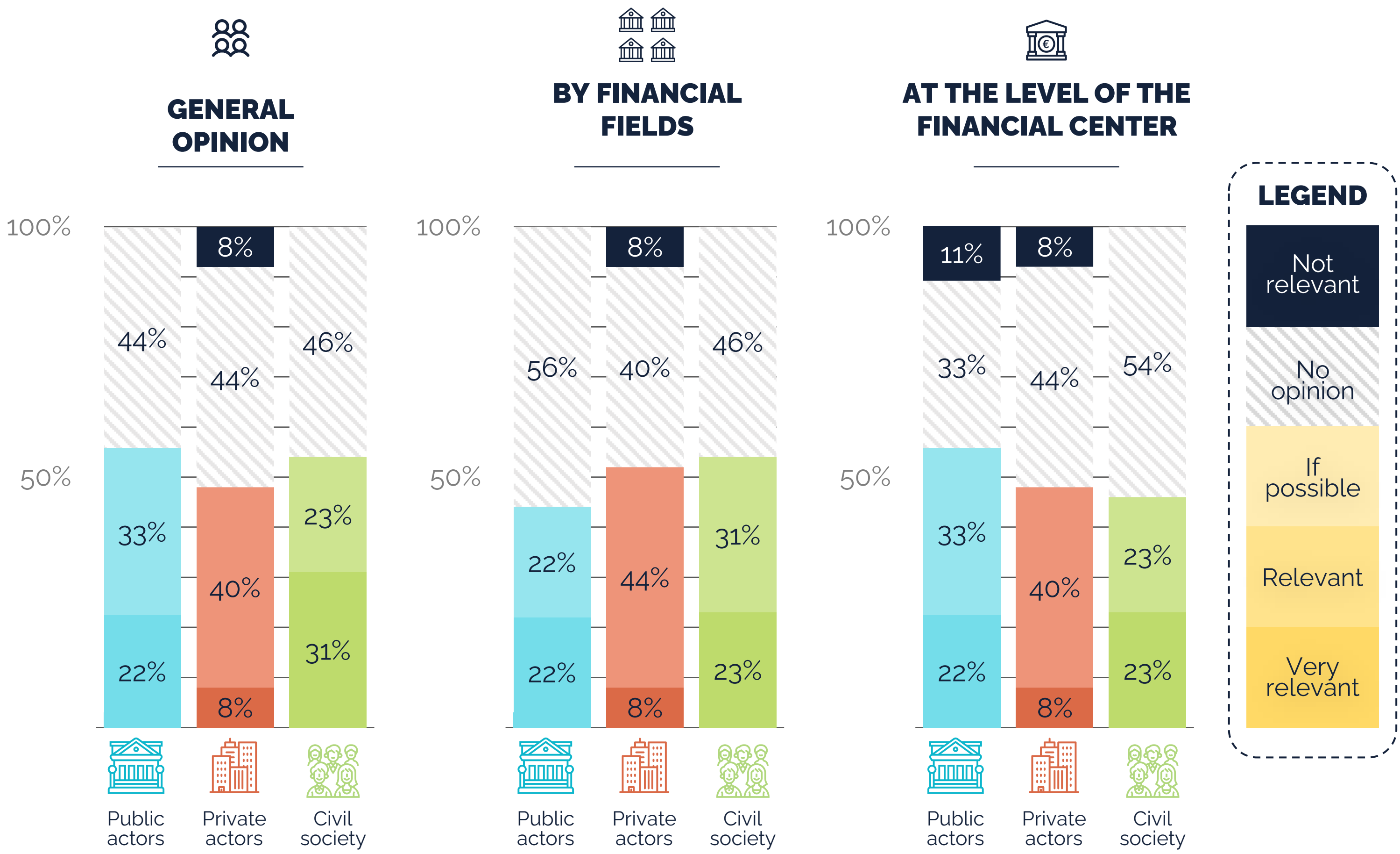
AVERAGE VARIABLE REMUNERATION INDEXED ON SOCIAL CRITERIA

53%

of respondents consider this indicator relevant

53% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

53% of respondents consider this indicator to be relevant for the monitoring of all financial activities



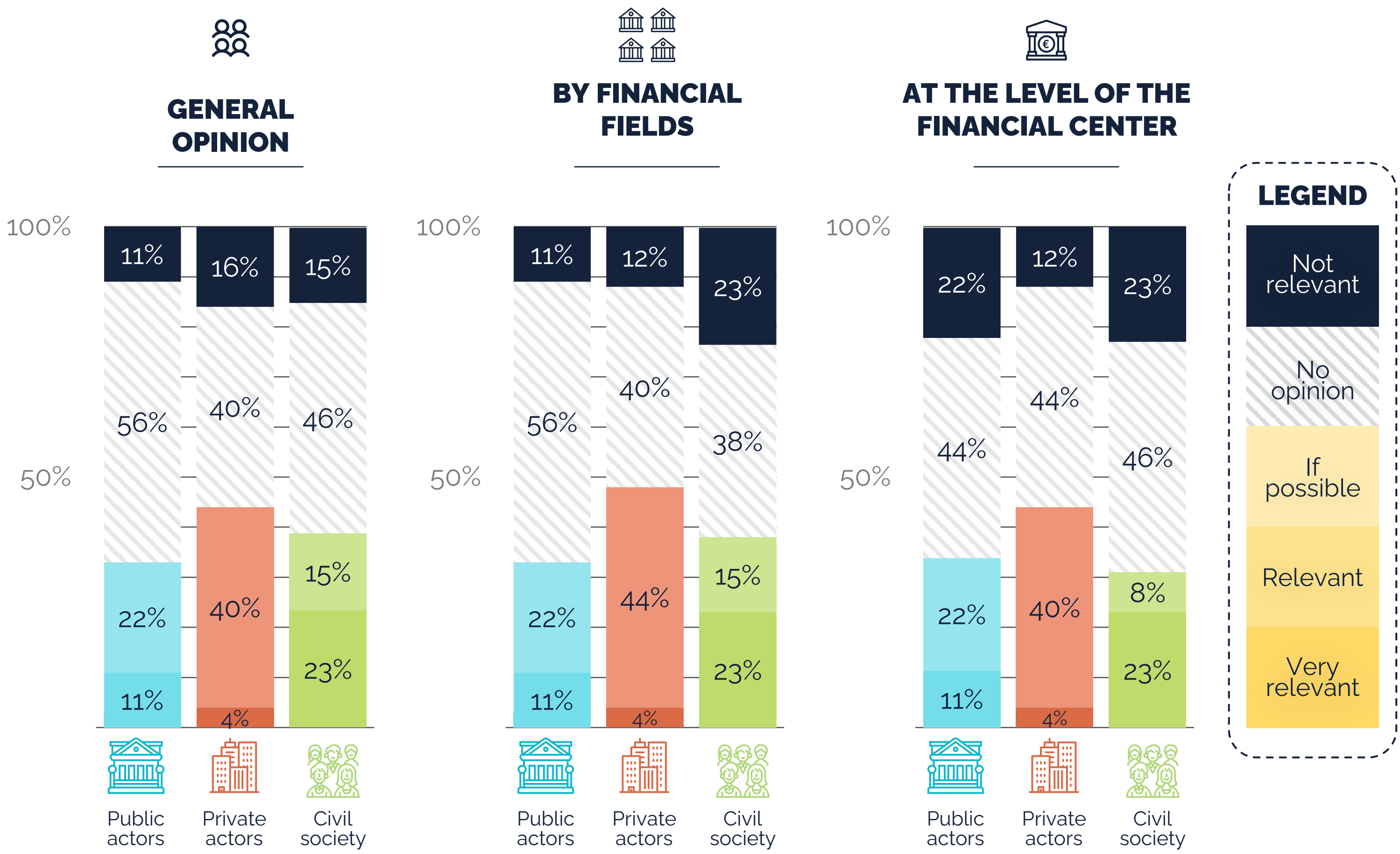
AVERAGE VARIABLE COMPENSATION INDEXED ON GOVERNANCE CRITERIA

43%

of respondents consider this indicator relevant

45% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

43% of respondents consider this indicator to be relevant for the monitoring of all financial activities



		Not relevant	No opinion	If possible	Relevant	Very relevant
General opinion	Public actors	11%	56%	22%		11%
General opinion	Private actors	16%	40%		40%	4%
General opinion	Civil society	15%	46%	15%		23%
By financial fields	Public actors	11%	56%	22%		11%
By financial fields	Private actors	12%	40%		44%	4%
By financial fields	Civil society	23%	38%	15%		23%
At the level of the financial center	Public actors	22%	44%	22%		11%
At the level of the financial center	Private actors	12%	44%		40%	4%
At the level of the financial center	Civil society	23%	46%	8%		23%

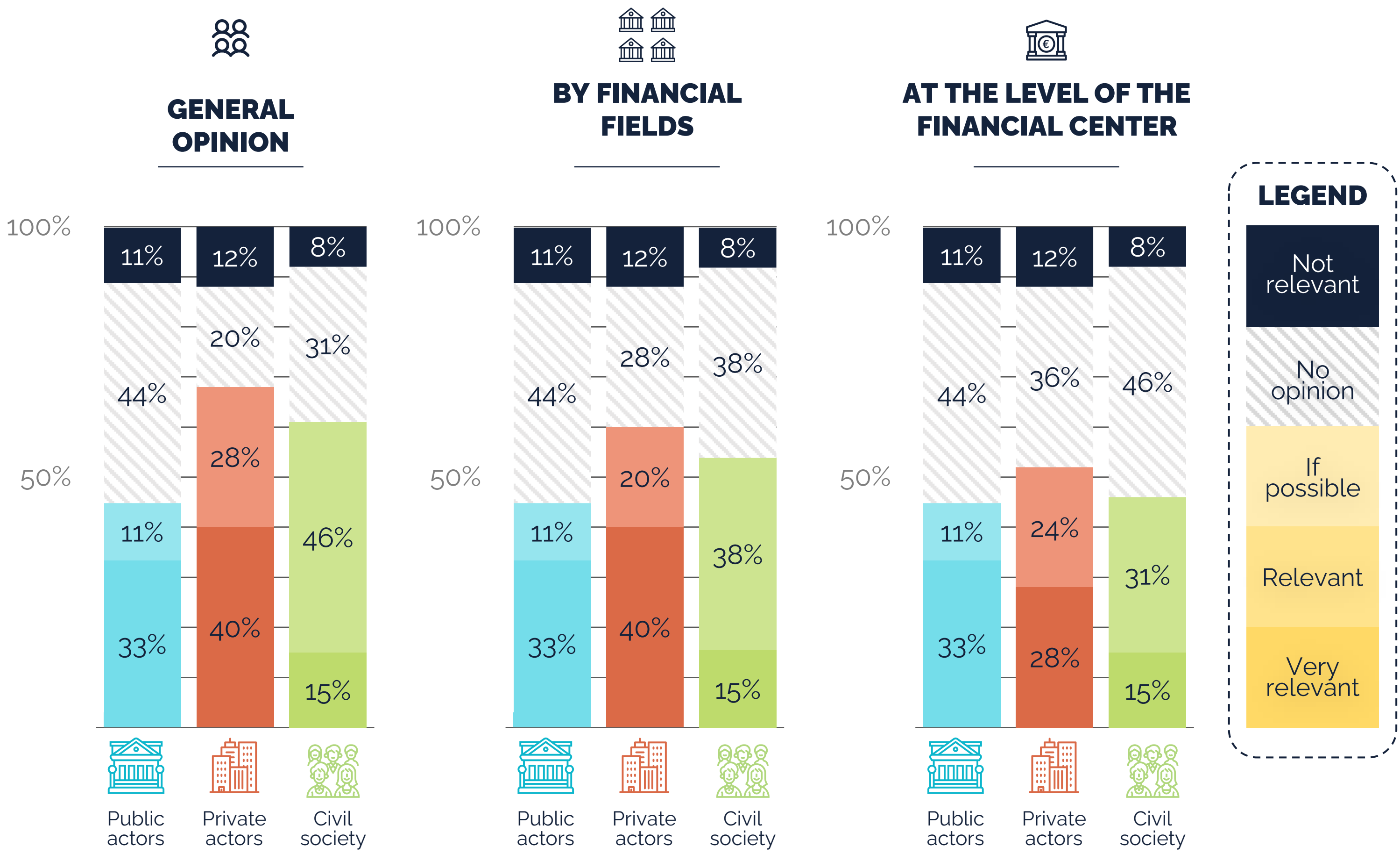
TOP MANAGEMENT LEVEL WITH RESPONSIBILITIES FOR MANAGING RISKS AND OPPORTUNITIES RELATED TO ESG ISSUES

63%

of respondents consider this indicator relevant

57% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

53% of respondents consider this indicator to be relevant for the monitoring of all financial activities



QUESTIONS

1. Which indicators allow to measure the means implemented to achieve the transformation of financial actors?
2. How to aggregate indicators that have no or low standards and variy widely between actors?
3. Shall we focus on a few indicators with a proposition of standard and methodology and if so which one?

FIRST LEADS

- Based on best practices, publish the actors which have rigorous criteria for the average variable remuneration or training (for instance average variable remuneration indexed on environmental criteria such as ambitious target for the reduction of emissions).
- **We are looking for complementarity inputs on governance.**

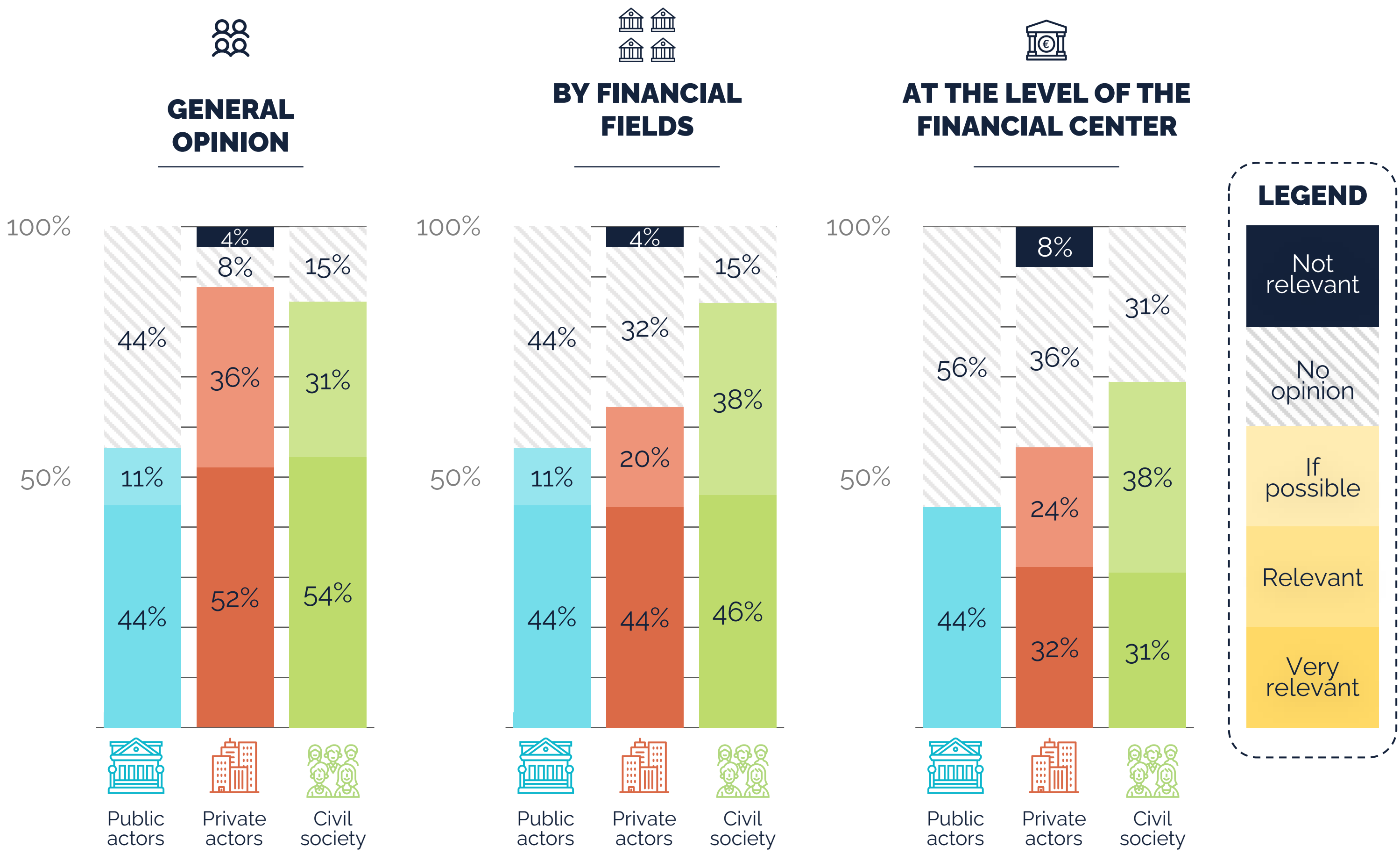
ESTABLISHMENT OF A STRUCTURED POLICY REGARDING THE EXIT FROM FOSSIL FUELS FOR EXAMPLE (ESCALATION PROCESS)

82%

of respondents consider this indicator relevant

69% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

61% of respondents consider this indicator to be relevant for the monitoring of all financial activities



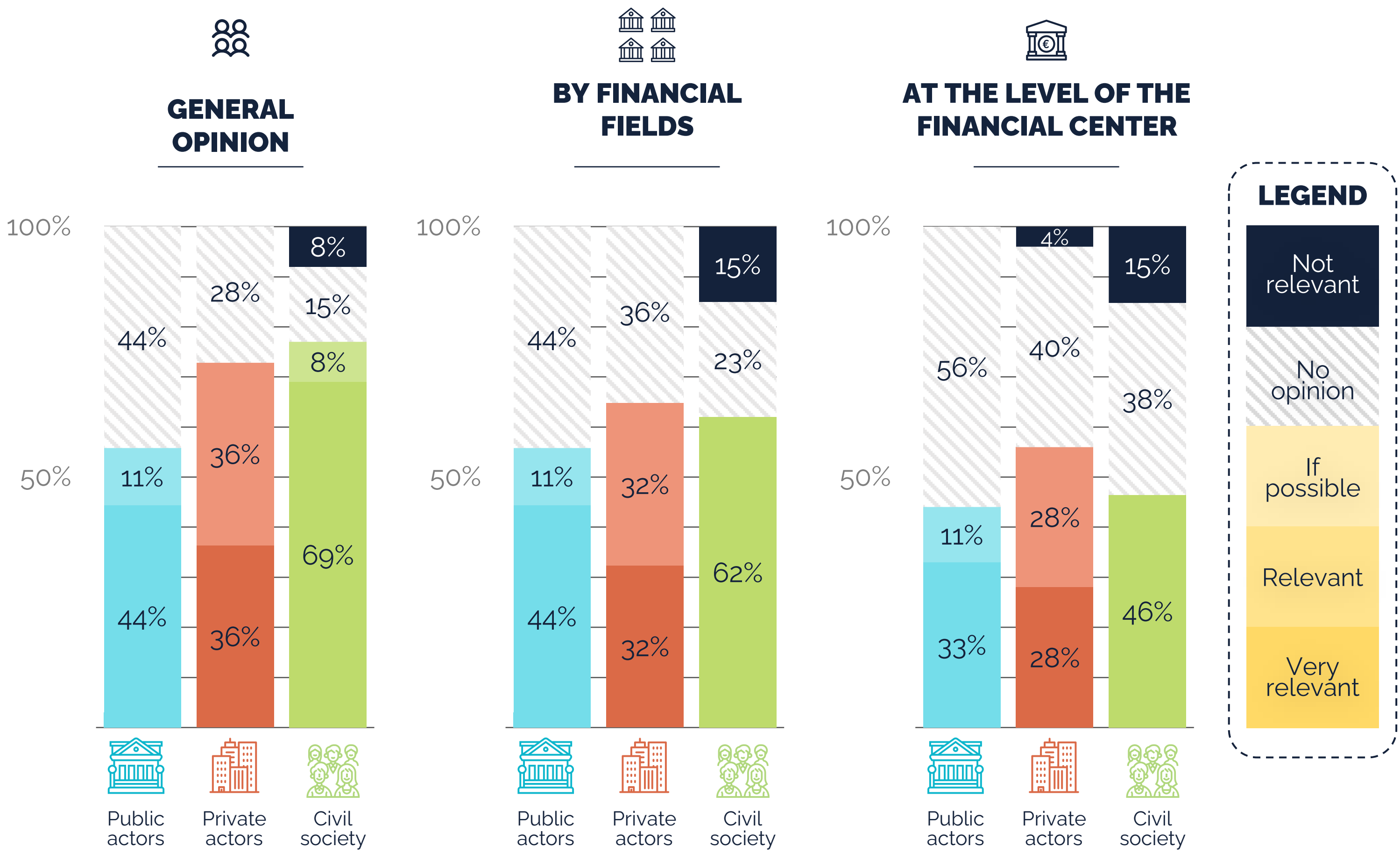
MONITORING OF THE VOTING POLICY

71%

of respondents consider this indicator relevant

63% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

55% of respondents consider this indicator to be relevant for the monitoring of all financial activities



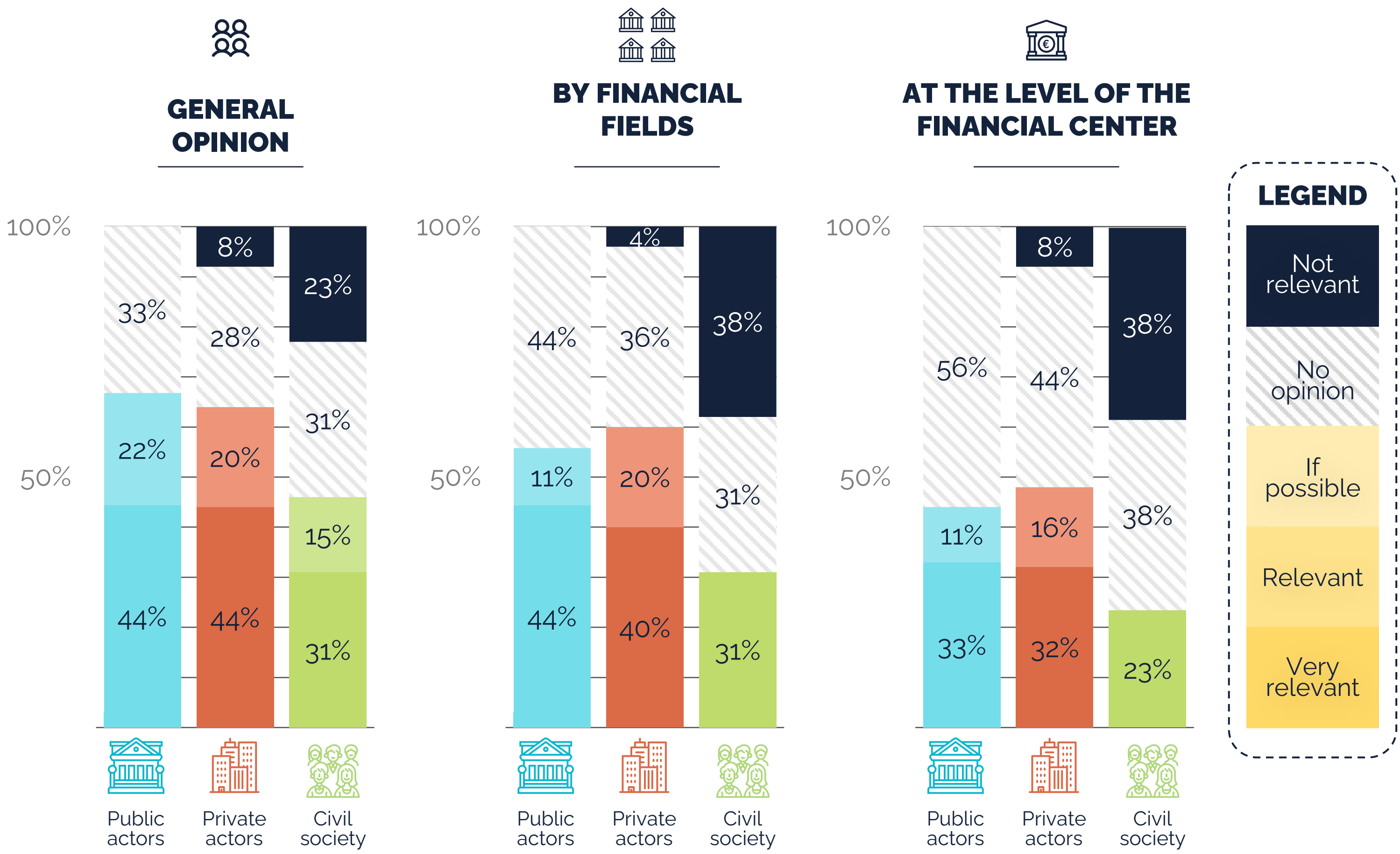
NUMBER OF DISCUSSIONS WITH COMPANIES ON ESG ISSUES

61%

of respondents consider this indicator relevant

51% of respondents consider this indicator to be relevant for monitoring all actors in the same financial sector

43% of respondents consider this indicator to be relevant for the monitoring of all financial activities



QUESTIONS

1. How to monitor the engagement policies?
2. How to make sure that when an actors vote on climate issues it's to improve the issuers climate strategies?
3. How to monitor the quality of discussion or vote on climate related issues?
4. Are the existing initiatives reliable and could allow an aggregated calculation?

FIRST LEADS

- Publish the number of actors which have an escalation process based on rigorous criteria pre-defined.
- **We are looking for complementarity inputs on shareholder engagement.**

INSTITUT DE LA FINANCE DURABLE
PARIS EUROPLACE

OBSERVATOIRE de la finance durable

Finance ClimAct

RÉPUBLIQUE FRANÇAISE
Liberté
Égalité
Fraternité

ADEME
AGENCE DE LA TRANSITION ÉCOLOGIQUE

Life