

5 YEARS TO COMMIT
FINANCIAL INSTITUTIONS
TO TRANSITION



CONTEXT

To comply with the Paris Agreement and involve financial sector in climate accountability, financial flows must support the transformation of emitting sectors. This means **financing companies in transition** and **tightening conditions** for those that do not, or even stopping them if they have a negative impact on climate.

A common mistake is to invest only in sectors that are easy to decarbonise, even if it means neglecting the key sectors for the ecological transition. To contribute to the transformation of the economy, **financial institutions need to analyse companies' transition plans** and allocate financing to those with a robust and credible transition plan.

The Finance ClimAct project, using tools such as the **ACT Finance methodology**, encourages financial institutions to adopt a sectoral approach to analyse the climate strategy of the companies in their portfolios. These principles have been adopted by regulators and international initiatives (CBI, SBTi, GFANZ).

KEY FIGURES

700 actors
engaged in Net-Zero since COP26
in more than 50 countries including
100% of the big french financial groups (banks, insurers, investment management companies)

719 reports
delivered on the Climate Transparency Hub (CTH) website in 2023

25 financial
institutions in the pilot test in
ACT Finance methodology

KEY DATES

2019	• Engagement of French financial institutions in the coal exclusion	2020	2021	• Engagement Net-Zero during COP26 in Glas+gow	2022	• Consultations GFANZ, EBA ESG Risks, SBTi FINZ	2023	• Launch of ACT Finance and presentation during COP27	2024	• PACTA analysis on the lack of alignment of banks (ECB) • Launch of PARC Foundation : Paris Agreement Research Commun
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5. WHAT HAS CHANGED IN 5 YEARS



Structuring of the European framework
From a transparency and accessibility Focused approach to a climate performance approach



Roll-out of regulations
SFDR, Taxonomie, ESG component with MiFid/DDA, CSRD, CSDDD, Article 29LEC (in France), international norms regarding sustainability matter ISSB, Net-Zero Alliance GFANZ.



Setting up transition plans to prevent ESG risks
For insurers and credit institutions

Contribution to the Finance ClimAct project

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|---|---|---|
| 1. ACT Finance
Methodology to assess climate strategy of financial institutions | 3. Assessment of good practices of reporting through CTH paltForm | 5. Share of expertise
with european regulators and internationales initiatives. |
| 2. Reinforcement of financial supervisors competences in France | 4. Follow up and progress grid on voluntary engagements supported by the engagement guide and the Net Zero Donut, as well as the alignment of Financial Flows by the Sustainable Finance Observatory | |



FOCUS ON...

ACT Finance

1 tool = 3 objectives

- Assess Financial institutions' transition plans
- Pave the way for a harmonised framework
- Steer financial flows towards a low carbon economy

6,3 C for investors
6,6 B for banks

Low scores that at this stage show a lack of maturity of the Financial sector, particularly for transition plans assessment tools, which are non-existent to date, and the lack of robust commitment strategies.



MAIN DELIVERABLES



Useful website
• Sustainable Finance Observatory
• Climate Transparency Hub



Publications
• "On the road to Paris" (2Dii)
• "Integration of banking plans in pillar 2" (I4CE, 2022)
• "Climate Impact Management System" (2Dii)
• "Net-Zero Donuts" (OFD 2023)
• Guide "Building a biodiversity approach" (CGDD & ADEME, 2024)
• ACT Finance Banking and Investing Methodologies (+ road test reports)
• "Say on climate" ACT assessments on Amundi and Aviva (2024)



PERSPECTIVES

- 1.
- 2.
- 3.

Implement the CSRD
to equip institutions with the necessary information for effectively analyzing the transition and facilitating its Financingleur Financement

Maintain and develop the use of ACT Finance

Infuse the concepts into the Article 29 LEC and in the development of financial statements of CSRD

Key moments ahead for banks and insurance

- **2025** : Introduction of the climate due diligence
- **2027** : Prudential ESG supervision (Banque de France, ECB) to ensure that banks and insurers do not harm the environment

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Since COP26, banks and net-zero committed investors need to steer their sectoral trajectories, redirect their their financing and support the transition. ACT finance has helped to structure this evolution which is re-used into international frameworks (CBI, SBTi, GFANZ).

Stanislas RAY
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