Presentation of the sustainable finance observatory
How to track the alignment of the financial flows into the Paris alignment's Goals?

RTE, French transmission system operator
From commitments to the evolution of financial flows

At COP21, Member States' representatives committed to redirecting their financial flows towards a low carbon economy!

Extract from the Paris Agreement – Article 2C
“This Agreement, by strengthening the implementation of the Convention, including its objective, aims to enhance the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including: [...] (c) Making financial flows consistent with a low greenhouse gas emissions trajectory and climate resilient development.”

7 YEARS AFTER THE COP21, IS THE FRENCH FINANCIAL SECTOR ON THE RIGHT TRACK?
On the occasion of the marketplace meeting held with the Minister of the Economy and Finance, Bruno Le Maire, the main organisations and professional federations representing the Paris financial marketplace announced, in a joint declaration, to make new commitments in favour of the fight against climate change and to contribute to the objective of carbon neutrality by 2050.

Stakeholder commitments

- Encourage their members to adopt a coal strategy (global disengagement timetable) and to report on it in their non-financial reporting for the year 2020.
- Continue methodological work in collaboration with ESAs on assessing portfolio exposure to climate risks and aligning investment portfolios with a 2°C scenario.
- Encourage the monitoring of commitments through the creation of an observatory of the achievements and actions of the actors of the Paris financial centre in terms of green and sustainable finance.
- The Paris financial centre will promote the dissemination and open source standardisation of these methodologies.
Finance Climact Project

Fostering investment in energy efficiency and the low-carbon economy

Facilitating investors’ investment decisions on the basis of environmental objectives

Supervisor

Sustainable Finance Observatory

INVEEST

ACT

Transition plans

Climate Transparency Hub

Stress Tests

PACTA

Financials

Greenfin

Preferences

EU Ecolabel

Households

Taking climate change into account in financial sector management and supervision

Budget: EUR 18 million

10M€ of funding from the European Commission (LIFE programme)

Role

- Its role is to respect the strategic positioning, the deadlines and the financial reporting of the project at the European Commission level.
- Some of the actions of the Finance ClimAct project will allow the formulation of methodological proposals on climate commitment and target setting.

Composition

- ADEME (coordinator)
- CGDD
- AMF
- ACPR
- Greenflex
- I4CE
- 2DiI
- Finance for Tomorrow

Meeting pace

- Monthly coordination point with AMF and ACPR and federations
- Monthly meeting within the framework of ADEME’s Workpackage
- Ad hoc workshop in connection with the Observatory’s work
Scientific and Expertise Committee

Role

- Ensures the integrity and scientific rigour of the Observatory
- Reviews the principles and methods adopted for the presentation of these data
- Analyses the methodological proposals formulated by the Finance ClimAct project and others
- Makes recommendations to improve the quality and relevance of the data published on the Observatory’s website

Composition

Presidency
- Pierre-Louis Lions (President)
- Stéphane Voisin (Secretary)

NGO / Think tank College
- Lucie Pinson (Reclaim Finance)
- Michel Cardona (ICF)

Academic College
- Delphine Lautier (Paris Dauphine, PSL)
- Anna Creti (CSEM)
- Emmanuel Hache (IFPEN, IRIS, Economix)
- Peter Tankov (ENSAE, Inst. Louis Bachelier)
- Augustin Landier (TSE, HEC Paris)

Public Authorities College
- Aurelien Girault (interim)

Experts College
- Jérôme Courrier (Expert RSE et Finance durable)
- Charlotte Gardes (Fonds Monétaire International)
- Caroline Delerable (Associate, EY)

Meeting pace

The Committee meets in full plenary three times a year.
Through working groups, which allow for the elaboration of recommendations, members can participate in more regular working meetings (once or twice a month)
How to monitor the transformation of financial actors towards sustainable finance and the achievement of the objectives of the Paris Agreement

Launch of the Sustainable Finance Observatory at the 6th Climate Finance Day (2020)
The Observatory reports on the achievements and actions of the stakeholders of the Paris financial centre in the field of green and sustainable finance for the insurance sector, banks, private equity, management companies and specialised companies.

Steering Committee of the Observatory
Ensures the proper conduct of the project

Scientific and Expert Committee
Ensures the rigour and integrity of the Observatory

Governance of the Sustainable Finance Observatory

Steering Committee of Finance Climact
Defines the overall strategy of the Observatory

ADEME (coordinator)
CGDD
AMF
ACPR
I4CE
2Dii
F4T
Greenflex

Project subsidised at 40% by ADEME and 30% by the European LIFE programme represented in France by Finance Climact

Paris financial Place statement and announcement by Mr. Le Maire in July 2019
Data monitored by the Observatory

<table>
<thead>
<tr>
<th>Private sector</th>
<th>Public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring of commitments</td>
<td>Commitments by financial actors (including Net Zero Alliances)</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Flow monitoring

<table>
<thead>
<tr>
<th>Flow of private actors</th>
<th>Flow of public actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Definition and Common methodologies

5
**Review of commitments and exchanges with stakeholders**

1. Analysis and review through 5 criteria
   - Compliance with the minimum criteria is a guarantee of readability and understanding.

2. Reading grids filled in with available public information
   - A reading grid has been developed for each category of commitment.
   - This analysis through target indicators facilitates their understanding.

3. Monitoring extracted from the actors’ website
   - This allows for the monitoring of commitments

Support actors to make binding commitments and ensure their implementation through enhanced/open monitoring.
**Data Collection**

### Transformation of Financial Practices and Flows

**Transition to a low-carbon economy**
- Loan for households related to energy-efficiency works/
  Green Real Estate
- Green infrastructures
- Funding of renewable energy projects
- Low-carbon Funds / Environment Thematic
- Green bonds
- Greenfin labelled funds

**Coal Exit**
- Exposure to coal and disinvested amounts %
  of financial companies that have a carbon strategy
- Type of carbon strategy: commitment / exclusion
- Statistics on relative and absolute thresholds

### Key Figures

**Range of responsible products**
- Greenfin, ISR and/or Finansol labelled funds
- Green, social, sustainable and sustainability linked bonds
- Products responding to Art 8 and 9 of the SFDR regulation
- Micro-credits
- Financed electric and hybrid vehicles

**Process / Responsible management**
- Amount and % of stocks that follow ESG criteria
- Exclusion policies
- Shareholder engagement
- Initiative memberships and international coalitions: ICF, Climate Action 100+, PRI, PSI

### Two Types of Data Collected

**PROCESS**:  
1. Annual surveys send by professional federations  
2. Collection by professional federations  
3. Aggregation of data by the Observatory
Work towards common definitions
Common standards are needed to harmonize data, aggregate and monitor global flows.

Monitor global shift of practices
The objective of carbon neutrality only makes sense at a global scale.

The One Planet Data Hub
An open platform aggregating data from all voluntary collective initiatives.

A sustainable observatory network
Promote accountability of financial sector’s commitments toward the ecological transition.

Ensure accountability and transparency
Monitor commitments of the financial sector.

An UNEP-FI network, the FC4S, support the initiative and help engaging new countries: Ireland already took the commitments to lunch an Observatory on the French example.

Ambition: spread the initiative globally
Thank you for your attention!

Observatoire de la finance durable

The Sustainable Future begins in Paris