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Climate Transparency Hub

Analysis of the "Art. 29 LEC" / SFDR 2024 reports of French investors

Maturity of climate and biodiversity practices among asset managers and owners

28 February 2025

This report is an informal translation made with DeepI Pro *of the French report available on the CTH website. The translation has been manually checked but the reader is advised that typos and mistakes might remain. In case of discrepancies between the current report and the French report, the latter shall prevail.*

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About the Climate Transparency Hub (CTH)

Operated by ADEME, the CTH is the regulatory platform for filing the "Art. 29 LEC" reports of financial institutions, which describe their sustainability practices. By publishing the "Art. 29 LEC" reports of all French financial institutions, the CTH meets the need for visibility and hindsight on sustainability practices, particularly with regard to climate change.

About the LIFE Finance ClimAct program

The European Finance ClimAct program supports the integration of climate considerations into the operations of financial institutions. It was financed by the European Commission via the LIFE program. To this end, France and the European Commission have drawn up and implemented a legal and regulatory framework for sustainable finance, in line with the European Green Pact and France's National Low-Carbon Strategy.

About ADEME

ADEME is a public body under the joint authority of the Ministry of Ecological Transition and Solidarity and the Ministry of Higher Education, Research and Innovation. ADEME helps to implement public policies in the fields of the environment, energy and sustainable development. It makes its expertise and consultancy capabilities available to businesses, local authorities, public authorities and the general public, to help them make progress in their environmental approach. The Agency also helps to finance projects, from research to implementation.

About the Sustainable Finance Observatory

The Sustainable Finance Observatory is a think-tank working on mobilising private finance for the transition. The association is the result of a merger between the Sustainable Finance Observatory, an initiative of the French Minister for the Economy and Finance in 2019, and the international think-tank 2° Investing Initiative (2DII). Its mission is to support changes in financial practices, gearing their impact towards a sustainable society model. It adopts a pragmatic approach based on studies, tools and methodologies for the direct benefit of economic players in order to achieve a real impact on the economy. The SF Observatory focuses its activities on three pillars: transparency and data, a research centre, and advocacy and awareness-raising.

This study was produced by ADEME with the support of the Sustainable Finance Observatory as part of the CTH, which is part of the LIFE Finance ClimAct project. This work only reflects ADEME's point of view. The other members of the Finance ClimAct Consortium and the European Commission are not responsible for any use that may be made of the information contained therein
The analyses were carried out on the basis of the existing "29 LEC regulatory framework. They do not prejudge the assessment of the application of the system, which is due to be published shortly.

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Executive Summary

Subject of the study

The "Article 29 LEC" framework, in force since the 2021 financial year, requires French investors to publish an annual report describing their practices for taking account of sustainability aspects in the broadest sense (environmental, social and governance criteria). To give global visibility to this work and make it easier to analyse, the law entrusts ADEME, a state agency with expertise in climate-related issues, with the task of publishing these reports centrally on a publicly accessible website, the Climate Transparency Hub (CTH). ADEME carries out an annual analysis of these reports, most recently this year thanks to the financial support of the LIFE Finance ClimAct program, which aims to improve the practices of financial players. The study was carried out in partnership with the Sustainable Finance Observatory.

This study concerns the "Article 29 LEC" 2024 submissions for the 2023 financial year, and is based on the 919 standardised appendices submitted to the ACPR for insurers (225) and the AMF for portfolio management companies (628) and banks (66 credit institutions or investment firms) respectively, and on a qualitative analysis of a sample of 34 players (12 insurers, 12 generalist asset management companies, 5 private equity companies and 5 real estate companies) for the analysis of climate and biodiversity strategies, 12 generalist asset management companies, 5 private equity companies and 5 real estate companies) to analyse their climate and biodiversity strategies.

The objectives of the study are as follows:

1. Repeat last year's study, analysing trends compared with last year;
2. Highlighting the practices of players and conveying messages to help them make progress on key issues (in particular climate contribution and biodiversity strategies).

Scope and formalities

814 reports were submitted on the CTH website in 2023, compared with 719 last year, representing an **increase of 13%**, mainly due to insurers. **The overall submission rate rose by 17 points (76%** compared with 59%). In addition to the increase in submissions, the improvement is due to the reduction in the number of supervised entities identified, from 1,214 to 1,077 .[1]

The introduction of standardised format submissions to supervisors (84% submission compliance rate) enables more accurate statistical processing. However, there is still room for improvement in the quality of submissions, mainly due to non-compliance with percentage point submission formats and varying interpretations of the expected data, particularly with regard to taxonomy, fossil content and climate strategy. The figures produced should therefore be treated with caution.

State of practice

Among the topics mentioned in the decree, those considered the most important in terms of ecological transition have been explored, essentially from a contributory strategy angle. Overall, while the structure of the decree helps stakeholders to take up these issues, certain themes (taxonomy, fossil fuels, biodiversity) remain of limited maturity, while in the case of climate, there has been an evolution in practices compared to the elements initially quoted by the decree. “Risk" aspects have been subject to limited investigations.

Climate alignment strategies

An increasing number of players cite at least one metric contributing to alignment with climate targets (from 37% to 51% in number, mainly due to asset managers). The structure and quality of the data relating to the climate strategy in the standardised reports do not allow us to assess the ambition and relevance of the climate targets. However, work has been carried out to identify the types of indicator cited. As was the case last year, the metrics

[1] This reduction is due in particular to better identification of supervised entities on the banking side, see section 2 for more details.

cited explicitly by the decree (absolute GHG metrics and intensity[2] , implicit temperature increase) are the most frequently used. In addition, a decarbonisation target alignment analysis was carried out on a sample using a sub-component of the ACT Finance methodology. The results show that the reduction targets are generally more demanding than the reference sciened-based trajectory, demonstrating that the main financial institutions are adopting robust references to establish their targets. It should be noted, however, that this calculation does not take into account the uncertainties and non-exhaustiveness of the target perimeters (assets covered, emissions scopes, data quality), and that the underlying metrics are sometimes worded in a confusing manner (e.g. "tCO2e/€m" without specifying whether they refer to €m of turnover or investments). In addition, a growing number of initiatives are pointing out the weaknesses of monitoring via financed emissions (particularly in absolute terms or in terms of monetary cross-sector intensity), and recommending that it be supplemented by metrics for financing - or reductions in financing - for categories of companies: aligned, aligning, non-aligned, etc. A slight upward trend in the use of this type of indicator in standardised reporting has been noted, and analysis of the sample has shown the existence of several targets for financing 'sustainable', 'green' or, more rarely, specifically climate-related assets. However, the definitions adopted and the reporting framework remain highly heterogeneous: when screened using the ACT Finance methodology, the definition quality score averaged 35% out of 14 players.

In order to ensure an effective climate strategy, ADEME strongly encourages financial institutions to adopt a transparent framework for categorising issuers according to their climate profile, and to develop associated "financing" metrics to ensure the correct allocation of investments ex ante, in addition to GHG metrics, which ensure an effective reduction in emissions ex post. In order to support financial players in their climate strategy, ADEME points out that it has developed the ACT initiative, which enables (i) a company to draw up a transition plan using the ACT Step-by-Step approach, and can therefore be encouraged to adopt a transition plan, and (ii) to assess the quality of a company's transition plan using the ACT Assessment sector methodologies, which enable a financial institution to categorise companies as described above. To date, around 15 business sectors are covered by ACT Assessment.

Biodiversity alignment strategies

The analysis carried out shows that the biodiversity reporting of financial institutions is expanding, but that they are struggling to translate the efforts made (impact and dependency measurements, initiatives) into objectives supported by tangible actions. Footprint measurements, on the one hand, and one-off actions and main objectives, on the other, sit side by side in the reports without any link. The main reason for this is presented transparently by several financial institutions: the state of methodologies and data does not in practice allow aggregated indicators to be used for steering purposes, with one player pointing in particular to very large unexplained variations in the km².MSA (Mean Species Abundance) indicator for certain invested companies.

Faced with this situation, the biodiversity guide published by the CGDD and ADEME in 2024 reminds the need to move forward through continuous improvement, and therefore not to wait for reliable aggregate indicators, which may never emerge in time in the face of the ecological crisis, before taking action. In this sense, granular approaches based on critical sectors and practices can enable financial institutions to contribute more quickly and effectively to alignment with long-term biodiversity objectives. In this respect, three asset management companies present interesting examples, respectively concerning minimum exclusion standards extended to different practices (Mirova), the identification of biodiversity thematic bonds (Ostrum AM), and finally the commitment strategy deployed and the way it is reported (Amundi).

The IFD also has a "Biodiversity and Natural Capital" working group, and regularly publishes or contributes to various resources, including a map of existing databases and methods for analysing impact and dependency.

Taxonomic reporting

Leaving aside the many difficulties relating to data quality, the average taxonomic ratios in terms of turnover range from 0 to 20% for eligibility and 0 to 5% for alignment. These rates may seem low. This is due to various

[2] In the latter case, as described in the study, three very different types of 'intensity' are observed in practice: **physical intensity** (e.g. tCO2e per kWh of energy produced), **carbon intensity** expressed in tCO2e per m€ of turnover of the companies invested, and **carbon footprint**, expressed in tCO2e per m€ of investment value. The last two are the most common.

factors: the non-negligible portion of portfolios that are not invested in assets subject to taxonomic reporting, the difficulties encountered by financial institutions in organising exhaustive collection of taxonomic data, the European regulatory framework that does not yet allow a certain number of activities to be taken into account[3], and so on. In addition, the average ratios mask many disparities in practices and understanding. An analysis of the 'extreme' data reported raises the same problems as last year: i) differences between the literary reports and the standardised submissions to supervisors, ii) vagueness about the proportion of estimates in the calculations, iii) lack of explanation of the figures reported and their variations. The system here is therefore dependent on the inherent complexity of the European regulatory framework and uncertainties about the quality of the data transmitted by financial players.

Concerning the fossil fuel share and the phase-out of fossil fuels

Exposure to companies active in the fossil fuel sector averages between 5% and 10%. However, the definition used in the SFDR regulation is very broad (company active from the first euro in various activities listed in the SFDR regulation, ranging from prospecting to the distribution of fossil fuels, including the various stages of processing and transport). There were many cases where the financial institution did not comply with this definition, which was not very effective in terms of monitoring, preferring instead a notion of "brown share", a definition based on thresholds corresponding, for example, to their exclusion policy, or an application "by transparency". The average exposure is therefore very probably underestimated, and some leading players who seem to respect the definition go as high as 20%. Whatever the definition used, in practice there is no concrete use of this indicator for management purposes, apart from mentioning exclusion policies which limit exposure.

Most of the market in terms of assets under management, particularly insurers (95% of assets under management vs. 73% for asset management companies), has announced a phase-out of coal. For oil and gas, the figure is much lower, even for non-conventional oil and gas (16% of assets under management in non-conventional, 3% in conventional). As was the case last year, the phase-out timetables are mainly based around the years 2030 and 2040, corresponding respectively to the dates for the cessation of coal production in the OECD and non-OECD countries in the NZE 2050 transition scenario. As last year, ADEME warns that the dates mentioned in the IEA scenario are production shutdown dates. The investments that will have enabled this production to be set up/maintained must therefore be stopped upstream, at a more or less sustained rate depending on the financing cycles specific to each industry. As a result, and in the absence of any such reflection by the players involved, the majority of coal phase-out policies are still not aligned with the Paris Agreement.

Concerning the share of Article 8 / Article 9 assets under management [4]

Article 8 assets account for around two-thirds of total assets, for both asset management companies and insurers, while Article 9 assets account for less than 5% (2.9% for asset management companies, 1.5% for insurers). A more detailed analysis for insurers shows that the distribution of unit-linked funds (around 30% of assets under management) is more polarised, with "only" 46% of assets under Article 8 and 4.5% under Article 9. Among asset management companies, private equity and real estate have a much higher proportion of Article 9 funds (around 11% each), due in particular to the higher proportion of "impact" funds among specialist funds compared with generalist funds.

Concerning SFDR PAIs

Analyses carried out on various SFDR PAIs[5] (biodiversity, energy production and consumption) have highlighted recurring issues relating to the interpretability, comparability and controllability of the indicators: difficulty in

[3] A public consultation on this subject was launched in January 2025 by the European Platform on Sustainable Finance.

[4] The European SFDR regulation provides for differentiated levels of information for financial products depending on the associated "sustainability promise". A distinction is made between "Article 8" products, which promote "*among other characteristics, environmental or social characteristics*", and "Article 9" products, which have "*sustainable investment as their objective*". In practice, the market has associated this distinction with forms of quality labels (Article 9 being more demanding). There is considerable room for improvement in this approach, since the definition of sustainable investment in particular has no regulatory framework. These elements are currently being reviewed as part of the overhaul of the SFDR (see AMF position on the subject).

[5] European SFDR regulations require financial players to publish environmental, social and governance indicators on key issues (*Principal Adverse Impacts* or PAI: greenhouse gas emissions, human rights, controversial weapons, etc.). This publication makes it possible to

retrieving the data, which in practice is supplied by service providers using a variety of methodologies; the indicator base (subset of "relevant" assets vs. the entire portfolio, which generates a dilution effect); aggregation by financial exposure, which necessarily distorts the underlying physical issues.
This context does not favour the appropriation of these indicators by players with a view to steering their strategy. However, some players point out that the company data has been integrated into their ESG score or the theme integrated into their commitment policy, which tends to show that, more than the aggregate indicator itself, the issue it seeks to address and the data needed to calculate it are useful for deploying an ESG strategy. Finally, we would like to highlight the good practice implemented by one asset management company of breaking down the change in PAI from one year to the next by factor: actual change in the indicator at the level of portfolio positions (e.g. the reduction in greenhouse gas emissions), market effect, management actions (purchases/sales), and any scope/methodology effects.

guarantee comparable minimum information on these issues between financial products, whether or not they take sustainability aspects into account.

Contents

1. Introduction

1.1. Context of the Energy-Climate Law's Article 29 framework

For several years now, investors have been required, under what was initially the "Art. 173 LTECV" (Energy Transition Law for Green Growth) and is now the "Article 29 LEC", to publish an annual report describing their practices for taking account of sustainability aspects in the broadest sense (environmental, social and governance criteria) in their management/investment activity. This obligation is set out in article 29 of the Energy and Climate Law. It is codified in article L. 533-22-1 of the Monetary and Financial Code, with the implementing decree codified in article D. 533-16-1 of the Monetary and Financial Code. It applies to three main categories of entities, subject to two supervisors:

- Portfolio management companies, supervised by the Autorité des Marchés Financiers (AMF)
- Insurance undertakings, supervised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR – part of the Banque de France)
- Credit institutions and investment firms for their discretionary management and investment advice activities only. In view of this specificity, the supervisor of the obligations relating to art. 29 LEC is the AMF, and not the ACPR, which grants global license.

This national scheme extends the European regulatory framework, the Sustainable Finance Disclosure Regulation (SFDR), by requiring detailed information on aspects such as the strategy for alignment with the Paris Agreement, biodiversity conservation objectives and the integration of ESG risks into risk management.

In terms of ambition, the system establishes a "*comply or improve*" principle, which requires, in addition to an explanation for the lack of publication, a detailed improvement plan[6] . Furthermore, in addition to publication on the entity's website, systematic transmission is required (i) to ADEME, via the *Climate Transparency Hub* (CTH) platform, and (ii) where applicable, to supervisors in accordance with the procedures defined by them. In practice, at this stage, the AMF is relying on the CTH to submit reports, while the ACPR is requesting a dedicated submission on its platform. Lastly, since 2023, the two supervisors have put in place a standardised system[7] for collecting the required information, enabling an aggregated statistical analysis, **covering not only the "Article 29 LEC" regulation but also the "PAI" reporting required by the European SFDR regulation.**

1.2. Objectives of this study

With the support of the European Union via a LIFE Finance ClimAct program, ADEME produces annual analysis reports of the "Article 29 LEC" reports o French investors in order to encourage improvements in their practices. The objectives are as follows:

- Present an overview of submissions (number, type of players, overall and by part of the decree/PAI SFDR)
- Taking stock of practices in various key areas of the decree: climate and biodiversity strategies, exclusion policies, fossil share indicators and taxonomy.
- Identify trends in these areas compared to last year (see last report), with the reporting framework remaining broadly constant, with a few changes (in particular the format of taxonomic ratios and exclusion policies).

Areas for improvement or attention relating to the quality of submission formats and the "Article 29 LEC" system were identified during the analysis. These were forwarded to the Government, the ACPR and the AMF, with a view to contributing to the ongoing improvement of the system.

[6] Cf. III-9° of article D. 533-16-1 of the Monetary and Financial Code: *"In the event that the entity does not publish some of the information mentioned in 1° to 8° bis of III, it shall publish, where appropriate, a continuous improvement plan that includes* [identification of opportunities for improvement and actions, actual implementation and timetable for implementation]".

[7] See ACPR: Instruction no. 2024-I-01; AMF: Instructions DOC-2008-03 and DOC-2014-01.

1.3. Analysis process

The information submitted to the CTH is in the form of narrative reports, which take a long time to process statistically and are open to interpretation. Since 2023, thanks to standardised submissions, ACPR and AMF have been sharing aggregated files with ADEME, enabling mass processing. The analysis of these submissions was supplemented by an analysis of a sample of narrative reports on two key subjects (climate strategies and biodiversity). In addition, analyses of the narrative reports were carried out on an ad hoc basis where context or doubt was required (taxonomic ratios or fossil share understanding of a metric for monitoring the climate or biodiversity strategy, etc.).

For this second exercise in the submission of standardised data, there are still few constraints in terms of formalism and control. Part of the analysis process therefore consisted of checking the quality of the data and, where necessary, making adjustments (changing the format, correcting aberrant data using the information provided in the narrative reports). However, these corrections are not intended to be exhaustive, given the number of data points to be processed and the many cases of uncertainty (particularly when the information differs between the narrative report and the appendix). Doubts about data quality are therefore regularly raised throughout the document, and sometimes illustrated in the event of particular difficulties.

Statistical analyses were carried out on the basis of files adapted to the three main types of population (asset management companies, insurers, banks), with different lines of investigation:

- An analysis of qualitative variables (typology of metrics in support of the climate or biodiversity strategy, coal phase-out date, etc.);
- An analysis of quantitative variables (for example, taxonomic percentages or percentages of exposure to companies active in the fossil fuel sector).
- A "compliance" view listing, data by data, the submission rates (i) for specific data relating to the decree and (ii) for indicators relating to the main negative impacts resulting from SFDR;

In order to analyse these various elements, it is necessary to distinguish between the two populations of players: (i) companies with more than 500 million euros in assets under management (assets under management) or balance sheets (assets owned) subject to publication of all the provisions of the decree (ii) companies with less than 500 million assets under management or balance sheets subject to publication only of information of a general nature, although the latter have the option of providing the rest of the information on a voluntary basis. In practice, most of the statistics relate to the population with more than 500 million euros in assets under management or balance sheets.

Because of the low number of submissions and the quality identified last year, less attention was paid to bank submissions. On the contrary, the analysis of asset managers (AM) has been strengthened by focusing on different types of AM:

Type of AM	Code used
General asset manager	GEN
Private Equity	PE
Real estate	RE
Other	OTH

However, due to lack of time, this analysis could not be carried out systematically, and the interested reader may wish to refer to the in-depth analyses of the ESG practices of certain asset classes carried out by other players (cf. in particular the ESG studies published in 2024 by France Invest and by the OID in association with the ASPIM, the latter including a section analysing the 29 LEC reports of real estate funds).

This analysis is presented as follows:

- An overview of the state of the submittances (see 2. Overview of sheds);
- Monitoring of the state of practices by theme analysed in more detail (climate and biodiversity strategies, taxonomic and fossil shares, etc.) (see 3. State of practices);
- Statistical monitoring of submissions by data point for article 29 LEC and PAI SFDR (see 4. Monitoring of submissions).

2. Overview of submissions

2.1. Reminder of the submission framework

The regulatory submissions associated with the Art. 29 LEC system consist, on the one hand, of a public narrative report and, on the other hand, as from 2023 (for the 2022 financial year), of the submission of a standardised appendix to the supervisor of the reporting entity[8] . The submission requirements according to population are summarised in the table below.

Type of supervised entities	Credit institution (CE) Investment Company (IC)[9]	Asset Manager (AM)	Insurance company	Other compulsory
Supervisor	AMF		ACPR	?
Report submission	CTH		CTH ACPR	CTH
Additional submission	AMF		ACPR	NA

2.2. Summary

Thanks to the ACPR and AMF sharing databases of reporting entities, ADEME has been able to monitor the various submission obligations. The statistics below are the main findings:

- An overall submission rate to the CTH of 76% (2024 submissions for the 2023 financial year), an improvement on last year's rate (59%) (2023 submissions for the 2022 financial year), due in particular to (i) a follow-up by the ACPR on the insurance population and (ii) a reduction in the number of entities subject to the banking population following the publication in April 2024 by the Treasury of an FAQ specifying that only entities actually exercising the authorisations concerned by the system are subject to it.

- Despite the increase, this submission rate remains significantly below 100%.

- A higher rate of submission of standardised appendices to supervisors (84% vs. 75%).

[8] See ACPR Instruction 2024-I-01, Annexes C-D-E-G for the data models to be transmitted. AMF data is filed on the ROSA extranet, as provided for in instructions DOC-2008-03 and DOC-2014-01.

[9] For their activities of portfolio management on behalf of third parties and investment advice only (cf. L. 511-4-3 of the Monetary and Financial Code)

2.3. Submissions statistics

2.3.1. Submission of reports to the CTH

As at 30/11/2024, the overall monitoring of the upgrading of the CTH site is as follows:

	Insurers	AM	Banks	Total
Total number of supervised entities	239	682	156	1 077
Number of submissions	176	587	51	814
Compliance rate	**74%**	**86%**	**33%**	**76%**
Voluntary submissions				
Groups	18			
Other volunteers	4	*Non-Life insurers*		
Other compulsory	10	*CDC, IRCANTEC, IRP, ...*		

The submission rates for asset management companies and insurers exceed 70%, while the rate for banks remains low (one third). The detailed framework for submissions by type of category provided for in the CTH is provided in the appendix.

It should be noted that the reports must be submitted within six months of the end of the financial year, which for almost all supervised entities is 30.06.2024[10]. By this date, almost 600 reports had been submitted. As a result, **around 30% of reports were submitted late on the CTH platform**, mainly in July and August.

In addition, ADEME's teams have recorded dozens of cases where players wished to resubmit their report, to correct typos, add figures or change the formatting. In the statistics, the initial date of submission has been taken into account.

In the case of banks (credit institutions and investment firms), the rate has risen mainly due to the reduction in the number of entities, in view of the clarification mentioned above. The number of supervised entities has been reduced from 283 to 156.

Finally, compared with last year, **there has been an improvement in submission statistics**, particularly with insurers as the supervisor has reminded them of their obligation to remit to the CTH.

	Insurers	AM	Banks	Total
Number of submissions 2023	95	579	45	719
Number of submissions 2024	176	587	51	814
Var. 2024/2023	+85%	+1%	+13%	+13%

2.3.2. Submission of schedules to supervisors

The table below summarises the appendices submitted to supervisors and forwarded to ADEME via aggregated files:

[10] It is theoretically possible for an entity to close its accounts on a date other than 31/12/N, for example 30/09/N. Although ADEME has not encountered this in practice at the level of reporting entities, it is common practice for AM to differentiate the closing dates of their funds in order to spread out the workload of their teams.

		Number of submissions	of which mandatory > 500m€	of which mandatory < 500m€	of which volunteers
Insurance	Number	225	113	98	14
	%	**24,5%**	*50,2%*	*43,6%*	*6,2%*
	Assets under management (€m)	2 191 592	2 177 117	14 476	
	%	**31,2%**	*99,3%*	*0,7%*	
AM	Number	628	295	334	-
	%	**68,3%**	*47,0%*	*53,2%*	*0,0%*
	Assets under management (€m)	4 721 660	4 664 193	57 467	
	%	**67,2%**	*98,8%*	*1,2%*	
Banks	Number	66	34	32	-
	%	**7,2%**	*51,5%*	*48,5%*	*0,0%*
	Assets under management (€m)	114 150	104 169	9 981	
	%	**1,6%**	*91,3%*	*8,7%*	
Total	Number	919	442	464	14
	%		*48,1%*	*50,5%*	*1,5%*
	Assets under management (€m)	7 027 402	6 945 479	81 923	
	%		*98,8%*	*1,2%*	

Entities exceeding the €500m threshold accounted for just under half of all submissions (48.1%). The analysis carried out on the insurers' side identified 14 voluntary submissions, mainly from non-life insurers and group heads.

Asset management companies account for the majority of submissions, both in terms of numbers (68%) and assets under management (67%), followed by insurance companies (24.5% of the total population for 31.2% of assets under management). Submitters on the banking side are in the minority (7.2% of submitters by number for 1.6% of assets under management). These figures are broadly stable compared with last year, except for the number of submitters on the insurers' side, which has risen sharply (225 compared with 124 last year)

By cross-referencing submissions with the population subject to the decree, we observe higher submission rates than public submissions with the CTH.

	Insurers	AM	Banks	Total
Supervised entities	239	682	156	1077
Appendices submission rates	88%	92%	42%	84%
CTH submission rate	*74%*	*86%*	*33%*	*76%*

2.3.3. Focus on AMs submissions

The AMF asked respondents to specify the type of asset management company in four categories: generalist, real estate, private equity or other (securitisation, private debt). Unlike last year, when an entity could tick several boxes if it had multiple activities, here only one item of data was returned, corresponding to the type of dominant activity.

	Total population			Pop. > 500m€	
Typology	Number	Weight (#)	Weight (Assets under management)	Number	Weight
Generalists	249	40%	68%	129	44%
Private Equity	248	39%	7%	93	32%
Real estate	97	15%	5%	52	18%
Other	33	5%	19%	21	7%
Not published	2	0%	0%	2	1%

The general characteristics of the market are shown, with a majority of generalist and private equity players, the latter being smaller in size (7% of assets under management vs. 39% of the total), as is the case for real estate (5% of assets under management vs. 15% of the total).

Due in particular to the high level of securitisation assets under management, the "Other" category accounts for 19% of assets under management, but only 5% in number. It should be noted that some multi-activity asset management companies (e.g. with a significant private equity business in addition to generic listed assets) were able to place themselves in this category. No restatement has been made.

3. State of practices

A focus is placed on the various areas considered to be priorities. Each part is introduced by a summary of the lessons learned, followed by a contextual reminder of the information required by the decree and its translation into information in the standardised appendices. Statistics and analysis by type of population (insurers, asset management companies, and possibly banks) are then provided.

In practice, it was mainly the detailed information requested for entities exceeding the €500m threshold that was analysed from a statistical point of view, supplemented where necessary by qualitative analyses of a sample of reports.

3.1. Climate strategies (excluding exclusions)

3.1.1. Summary

Art. 29 of the LEC requires players to provide information on their climate strategy. More than a simple *disclosure* exercise, the provisions are formulated to guide players in developing their strategy on the following aspects:

- Ambitions (compliance with the Paris agreements and the SNBC (National Low Carbon Strategy)),
- Timeframe (target date 2030, then every 5 years),
- Metrics (direct and indirect greenhouse gas emissions in absolute or intensity terms. Can be expressed in terms of implied temperature rise or volume).

The standardised *reporting* developed by the ACPR and the AMF takes up this framework by imposing submissions up to 2030, expressed in terms of emission volume or temperature. It is also possible to report on free metrics, as provided for in the decree. This year, the AMF has expanded its *reporting* framework so that, like the ACPR, it can report on several internal metrics (up to 4), which was not the case last year.

However, this structure comes up against the more diverse practices adopted by the financial institutions, which have adversely affected the readability of the data: target date different from 2030, no information on the reference date, which makes it difficult to understand the ambition set[11] , confusion between the reporting of the target value and the value to date, etc. In addition, it was noted on several occasions that metrics were mentioned without there being any "real" commitment cited in the literary report. This context did not allow for a broad statistical analysis of the climate objectives set by the financial institutions. However, these elements were captured by the qualitative analysis carried out on the sample of 34 financial institutions.

Quantitative analysis of entities with balance sheets or assets under management in excess of €500m shows that :

- Players quoting a target/metric were in the minority last year (37% in number, 49% in assets under management). For the 2023 financial year, they were 52% in number and 68% in assets under management. The insurers' lead in this area remains in terms of numbers (65%) but not in terms of assets under management (60%). This catching up by asset management companies is mainly due to the largest: in terms of assets under management, 73% of asset management companies cite a target, compared with 49% in terms of numbers.
- The units of measurement are still heterogeneous. Taking asset management companies and insurers together, the most frequently cited metric is implicit temperature (28%), followed by carbon footprint (21%), absolute emissions (17%) and carbon intensity (14%). The latter three have increased since last year, while implied temperature is used by a stable proportion of players.
- Among the AMs, the most frequently cited metric is implicit temperature, followed by absolute emissions and carbon intensity. The share of portfolio (including SBTi), carbon footprint and physical

[11] As Appendix G communicates the PAI 1 SFDR requesting overall portfolio emissions, a deduction could be made between this information and the 29 LEC data points. However, in practice, as the qualitative analysis shows, the targets are set on a sub-perimeter, which does not guarantee comparability.

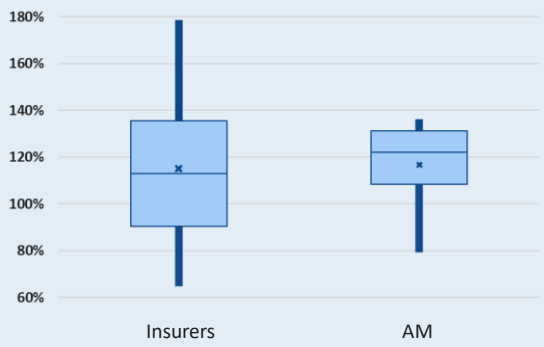
intensity remain in the minority. The metric most cited by generalist asset management companies is temperature, absolute emissions for private equity asset management companies and physical intensity for real estate asset management companies. The majority of insurers also use methods based on temperature (57%) and, to a lesser but still significant extent, carbon footprint (45%).

The **qualitative analysis** of 12 insurers and 22 asset management companies reveals the following:

- Overall, the objectives are more numerous, better defined and more homogeneous within the sample of insurers than among the AMs - a fact that is not solely attributable to the presence of specialist AMs in the sample.
- Asset management companies make more frequent use of portfolio decarbonisation objectives in terms of implicit temperature alone, whereas insurers, when they formulate them, do so in addition to an objective in terms of the intensity / footprint / emissions of the asset portfolio.
- Most players reason in terms of carbon footprint (tCO2e/M€ invested according to the SFDR definition), a few in terms of intensity (tCO2e/M€ turnover) and more rarely in terms of absolute emissions. Nevertheless, the names of the metrics and units of measurement are often misleading, and we report the formulations used by the players in our analyses.

Using the ACT Finance methodology developed by ADEME, we **measured the ambition of the emissions reduction targets financed**, formulated according to different characteristics (starting years, target, unit) in relation to a benchmark reduction rate aligned with[12] . It should be remembered that these targets are **only one component of** a financial institution's **climate strategy**, particularly given the limits of the emissions metrics financed (see3.1.4). Furthermore, due to a lack of information, the analysis carried out here **has been simplified** and does not take into account factors such as the partial coverage of targets in terms of financial scope (asset classes covered by the objective), emissions scope (inclusion of scope 3 of investments) or the quality of the data available.

The analysis carried out shows that the objectives set are on **the whole aligned in terms of ambitions** (see the whisker boxes below expressing the distribution of alignment scores for the 11 insurers and 10 asset management companies that have expressed decarbonisation targets). However, they are often **not clearly contextualised** in terms of their financial or emissions scope, and there is no information on the quality of the data collected[13] . In addition, the levers used to achieve the target (actual reduction in emissions by portfolio companies, portfolio remodelling, methodological effects) **are rarely mentioned and never quantified**, which makes it impossible to guarantee that the emissions reductions observed at portfolio level reflect actual emissions reductions in the real economy and not an optimisation of the indicator through portfolio arbitrage or methodological effects ("virtual decarbonisation" or "*paper decarbonization*").[14]



Graph 1: Alignment score for portfolio decarbonisation objectives (ACA ACT Finance standard)

[12] See5.4.1 . The ACT Finance methodology estimates a *benchmark* with a real economy reduction rate of -4.2%/year until 2030, then an overall reduction in emissions of -90% in 2050 compared with the base year. For the sake of simplicity, the few targets in tCO2e/m² in the sample have been compared to the *benchmark* in the same way as those in tCO2e/M€.

[13] The PCAF financed emissions accounting framework has developed a data quality rating scale ranging from 1 (emissions reported) to 5 (emissions deducted from monetary intensity factors, for example). Various financial institutions, particularly banks, report the average data quality score of their portfolio (e.g. HSBC, where the average score varies between 2.7 and 3 depending on the sector in 2023).

[14] Cf. Mark Carney "Finance needs to go where the emissions are".

A score of 0% corresponds to constant emissions compared with the reference year of the decarbonisation target, a score of 100% to alignment with the benchmark, and beyond that to a higher ambition[15].

With regard to **transition financing/investment objectives**, which allow *ex ante* steering of the allocation of flows, the heterogeneity in the formulation of objectives and their methodological foundations is much greater than for decarbonisation objectives. Most of the insurers in our sample and less than half of the asset management companies have adopted them. These objectives are formulated sometimes in monetary terms, sometimes as a share of the portfolio, over different time horizons. But above all, the definitions used by each player to characterise transition financing/investment differ completely - including in the asset classes covered by the definition. Some definitions are therefore incomplete and, even when they are not, are based on heterogeneous methodological references whose credibility for use in a strategy to contribute to international climate objectives is open to debate (for example, considering "Article 8 SFDR" funds).

As with our analysis of decarbonisation targets, we assess the quality of these definitions against the requirements of ADEME's ACT Finance methodology and establish their "scores" (see 5.4.2). Within the sample, 8 out of 22 asset management companies have made this type of commitment and 7 out of 12 insurers. The average score is 42% for AMs and 25% for insurers.

Finally, given the maturity of the sector and the urgency of the climate challenge, ADEME reiterates its call to financial players to adopt ambitious and comparable practices. To this end, a number of clarifications and recommendations are set out in section 3.1.4, with the aim of guiding players towards approaches that are deemed to have a greater impact than simply measuring emissions *ex post*, and towards methodologies that are more robust than those observed in the majority of 29 LEC reports.

[15] For example, the alignment score obtained for a target in 2030 compared with 2020 will be, depending on the level of reduction: 50% for a target of -21%, 100% for a target of -42%, and 150% for a target of -63%.

3.1.2. Context

III-6° of Article D. 533-16-1 of the Monetary and Financial Code requires detailed information on the reporting entity's strategy for aligning with the objectives of limiting global warming. The system sets out a framework (i) in terms of time (reduction target for 2030 and every 5 years until 2050) and (ii) in terms of metrics, giving priority to greenhouse gas emissions, in absolute terms or in terms of intensity, or alternatively a measure of implicit temperature increase. The development of alternative frameworks remains possible. At both ACPR and AMF levels, this has resulted in requests for "standard" and then "internal" information:

- Standard part
    - Quantitative target for 2030 expressed as a volume of GHG emissions
    - It was asked to specify the unit
    - Quantitative target for 2030 expressed as implicit temperature rise
- "Internal" part
    - Whether or not in-house methodologies exist
    - If yes :
        - Time horizon (single)
        - Description of metrics and associated objectives (up to four metrics)

In practice, this structure comes up against more diverse practices adopted by the financial institutions, which make the data difficult to read. For example, the absence of reference fields or reduction amplitudes makes it impossible to compare the ambition of targets with each other on the basis of standardised submissions, while there are many uncertainties as to the way in which financial institutions have filled in the fields (translation into appropriate units of a target expressed in another unit, expression of targets in a unit that is inhomogeneous with demand, confusion between metric and unit, etc.).

Consequently, the analysis carried out focused on (i) a qualitative analysis carried out on samples of reporting entities by population (insurers, asset management companies) and (ii) an inventory of unit typologies in order to highlight the main trends. In view of the developments in practices observed beyond the targets expressed in terms of financed emissions and implicit temperature alignment, the final section sets out the issues and prospects for metrics and indicators in support of a financial institution's contributory climate strategy.

3.1.3. Teaching analysis

3.1.3.1. Qualitative analysis

For each population, a sample was analysed in greater depth, selecting the largest players in terms of size, with particular attention paid to the content of the reports:

- 12 insurers,
- 22 portfolio management companies, 12 of which are generalist, 5 private equity and 5 real estate.

The part of the Art. 29 LEC reports of these entities relating to the climate strategy was analysed in order to identify the structuring elements and any good or bad practices. The analysis is organised as follows:

- The financial institution's membership of a structuring market initiative;
- Existence and typology of intermediate objectives to support the strategy of contributing to international climate objectives ;
- Focus on the objectives expressed in terms of reductions in emissions financed and on the objectives expressed in terms of amounts of financing for the transition.

Membership of collective initiatives

In recent years, the drive to align financial players has been driven by the "*net zero alliances*" set up for each type of player (banks, *asset managers*, *asset owners* including insurers) under the aegis of the Glasgow Financial Alliance for Net Zero (GFANZ), which provides a framework (without obligation) for alliances.

This dynamic has recently come to a halt with the departure of several American banks and investors at the end of 2024/beginning of 2025. In particular, the alliance of *asset managers*, NZAM, announced that it would suspend all activity in January 2025.

Nevertheless, an analysis was carried out of whether or not the financial institutions in the sample belonged to these alliances, the information being provided by the 29 LEC reports. The results are as follows[16] :

	Insurers	AM
Sample size	12	22
NZAM	-	9
NZAOA	9	-

The majority of insurers in the sample have joined the NZAOA. Several AMs that are not signatories to the NZAM nevertheless state that their objectives are based on its recommendations. Of the 12 generalist AMs in our sample, only 3 do not mention the NZAM. However, only one private equity fund and one real estate fund are members of the alliance. It should be remembered that membership of a net-zero alliance is not a guarantee that a financial institution's practices are "aligned" with the Paris Agreement and carbon neutrality by 2050, nor that the strategy it has adopted is itself aligned, cf. the analyses carried out by the Sustainable Finance Observatory via the Net-Zero Donut, which show that the general level of strategies is still insufficient[17].

Intermediate objectives

	Insurers	AM	Total
Sample size	12	22	34
Average number of targets per player	2,5	1,6	1,9
Nb with a portfolio decarbonisation objective	11	12	23
covering scopes 1 and 2	10	7	17
covering scopes 1, 2 and 3	2	3	5
Average target year	2028	2029	2029
Nb with a transition financing/investment objective	6	9	15
including an underlying definition of invested assets	5	8	13
Nb with a quantified and dated commitment target	2	2	4

The statistical results of the qualitative analyses are presented below. By "objectives" we mean any type of objective formulated by the entity, be it decarbonisation of the portfolio, financing/investment in the transition or any other sufficiently clearly defined objective, such as a number of companies to be engaged over a given time horizon. Subsequently, we conduct our analyses on the decarbonisation and financing objectives alone. On the whole, the objectives formulated by insurers have more tangible definitions, particularly in terms of the scope

[16] In practice, many players are subsidiaries of major banking groups that have been able to join the NZBA banking alliance. The analysis focused solely on the sublitting entities with regard to their activities as investors/asset managers.
[17] Net-Zéro Donut - Sustainable finance observatory

of assets, scopes, and so on. Even generalist asset management companies have objectives whose asset scope is not specified.

Focus on Insurers

Portfolio decarbonisation targets :

Almost all the insurers in our sample have set a portfolio decarbonisation target. The insurer that does not have one has also set an implicit temperature target, which some insurers also do in addition to the decarbonisation target. Most of the targets are set in terms of monetary intensity per million euros of assets, although the language used in the reports differs and sometimes refers to the carbon footprint.

Insurer	Reference date	Target date	Decarbonisation target	Unit	Scopes	Scope of assets
PREDICA	2019	2025	-25%	Intensity tCO2e/M€ invested	1 and 2	Equities and bonds
Axa France Vie	2019	2030	-50%	Intensity tCO2e/M€ invested	1 and 2	Equities, bonds and real estate
Cardif Assurance Vie	2020 2020	2024 2024	-23% -12%	Intensity tCO2e/M€ invested Intensity kgCO2e/m² (tonnes)	1 and 2 1 and 2	Equities and bonds Real estate
Sogecap	2018	2025	-30%	Intensity tCO2e/M€ invested	1 and 2	Equities and bonds
Groupe des Assurances du Crédit Mutuel	2018	2030	-33%	Intensity tCO2e/M€ invested	1 and 2	Equities and bonds
BPCE Vie	2020 2020	2029 2024	-50% -30%	Footprint tCO2e/€M Footprint tCO2e/€M	1 and 2 1 and 2	Equities Bonds
Generali Vie	2022	2030	-40%	Intensity tCO2e/M€ invested	1, 2 and 3	Equities and bonds
Abeille Assurances Holding	2019	2030	-40%	Intensity tCO2e/M$ CA	1, 2 and 3	Equities, bonds and real estate
Groupama GAN Vie	2021	2029	-50%	Intensity tCO2e/M€ turnover	1 and 2	Equities and bonds
Allianz France	2019	2030	-50%	Absolute tCO2e	1 and 2	Equities, bonds and real estate
Suravenir	2019	2030	-60%	Intensity tCO2e/M€ invested	1 and 2	Equities, bonds and real estate
La Mondiale	No financed emissions reduction target (implicit temperature target)					

Most of the objectives are formulated solely for scopes 1 and 2 of the underlying invested companies. Some insurers also mention analysing scopes 3 but not publishing them because of the poor quality of the data available. The scope covered by the decarbonisation objective is often limited to equities and corporate bonds invested in the general fund (excluding external funds managed by AM) and excludes sovereign underlyings. When real estate assets are covered by the objective, conditions are sometimes mentioned, such as "where possible" or "where data is available", with no further details.

While qualitative information on coverage is most often provided, in practice the rate of coverage, both financial and in terms of GHG emissions, of targets is not communicated. In addition, no information is provided on data quality, beyond the qualitative aspects[18].

The targets set are generally either 2030, which corresponds to the demand in the decree, or shorter term (2024 or 2025). The most ambitious targets are the furthest away.

Using the ACT Finance methodology developed by ADEME, we **measured the ambition of the emissions reduction targets financed**, formulated according to different characteristics (starting years, target, unit) in relation to an aligned reference reduction rate. It should be remembered that these targets are **only one component of** a financial institution's **climate strategy**, particularly given the limits of the emissions metrics financed (see3.1.4). Furthermore, due to a lack of information, the analysis carried out here **has been simplified** in relation to the methodology by not taking into account elements such as the partial coverage of targets in terms of financial scope, emissions scope (scope 3 of investments) or the quality of the data available.

The detailed methodological principles are presented in Appendix5.4.1 . The results for financial institution targets are as follows:

Insurer	Alignment score of the decarbonisation objective (ACT Finance)
PREDICA	**90%**
Axa France Vie	**113%**
Cardif Assurance Vie	**137%** **71%**
Sogecap	**102%**
Groupe des Assurances du Crédit Mutuel	**65%**
BPCE Vie	**132%** **179%**
Generali Vie	**119%**
Abeille Assurances Holding	**90%**
Groupama GAN Vie	**149%**
Allianz France	**113%**
Suravenir	**135%**
La Mondiale	-

The analysis shows that the objectives set are on **the whole aligned in terms of ambition**. However, they are often **not clearly contextualised** in terms of their financial or emissions scope, or the quality of the data collected. In addition, the levers for achieving the objective (actual reduction in emissions by portfolio companies, portfolio remodelling, methodological effects) **are rarely mentioned and never quantified.** This last aspect is essential since, as illustrated in section3.1.4 , "virtual decarbonisation" strategies can easily be implemented in order to obtain a reduction in the metric of emissions financed without having achieved any discernible effect in the real economy.

[18] The PCAF financed emissions accounting framework has developed a data quality rating scale ranging from 1 (emissions reported) to 5 (emissions deducted from monetary intensity factors, for example). Various financial institutions, particularly banks, report the average data quality score of their portfolio (e.g. HSBC, where the average score varies between 2.7 and 3 depending on the sector in 2023).

Transition funding/investment objectives :

There are fewer financing targets for transition (6 insurers set them, compared with 11 for decarbonisation targets), and they are more heterogeneous. The amounts set are rarely put into perspective or contextualised. No insurer seems to be in a bad position with regard to achieving its target; on the contrary, some are achieving their targets "ahead of schedule". This raises questions about the level of ambition of the targets and, above all, the definitions on which they are based. Indeed, the definitions of assets considered "green", "sustainable" or "transitional", when they are clearly stated, differ greatly and at several levels. Firstly, reference frameworks differ between players and between asset classes. Secondly, when the same reference framework is used by several players, the level of requirement adopted may vary; for example, considering Article 8 and 9 SFDR funds to be sustainable or only Article 9 funds. In addition, certain criteria are not based on any framework that can be interpreted by a third party, such as "specific internal analysis" or "environmental in nature".

The advantage of using a framework/standard is that it allows comparability between players. However, the frameworks mentioned vary, as does the underlying quality. For example, the ICMA framework has been criticised for its lack of transparency and external review, leading the EU to develop a robust regulatory standard (EU GBS), which is still little used or cited in the reports analysed. The Climate Bond Initiative (CBI), which is also developing its own standard, estimates that in 2024, $115 billion out of $656 billion issued (i.e. 17%) did not comply with its principles, in practice because of a lack of information or a non-aligned underlying.

Players are therefore invited to :

- **Clearly state in their reports which funding targets they believe contribute to international climate objectives** (and not in a more vague way to sustainability/ISR issues, which does not prevent them from making a more global commitment or a commitment on other environmental, social or governance issues);
- Comply with the basic standards for communicating a commitment (target years, amounts, monitoring of the commitment) and include in the report a discussion of how the commitment compares with funding requirements;
- Explain in the report the definition used to determine funding, and reflect on its quality. Various resources are available to support them in this task:
    - For financing companies in transition: the tools for analysing/categorising transition plans mentioned in part3.1.4 , including the ACT Evaluation methodologies;
    - For low-carbon investments: the EU GBS regulatory standard, the CBI standard.
    - The considerations raised by the ACT Finance methodology, which proposes maturity matrices on the quality of the financial institution's definition of a *low-carbon* asset or a company in transition (see). 5.4.2

The commitments identified in the reports are detailed in the table below. It should be noted that in some cases the commitment is made at Group level and that the entity/sub-perimeter studied will make a contribution to this overall objective which is not necessarily specified. An analysis of the "quality" of the definition in relation to the ACT Finance methodology (see5.4.2) was carried out for illustrative purposes in order to put the quality of the different definitions used into perspective. The average score for the quality of the definition, for the seven entities that made commitments, was 25%.

Insurer	Financing target	Annual amount[19]	Due date	Definition of assets	Quality of definition - ACT score
PREDICA	No transition investment target				
Axa France Vie	"The AXA Group has unveiled a new "Transition Financing" target of €5 billion per year until 2030."	5 billion	2030	"Financing the transition" - Bonds : Bloomberg (DT607) - Infrastructure: CBI - Real estate: DPE >= B	**50%** - Set of definitions, some of which are rated 75% (CBI benchmark), others 25% or 50% (Bloomberg benchmark based on the underlying ICMA without explicit reference to climate)
Cardif Assurance Vie	"Invest at least 800 million euros a year in investments with an environmental theme"	800 M€	NC	"Investments with an environmental theme, including renewable energy". At least one criterion among: - Aligned EU Taxonomy - Environmental label or certification (BBCA, BREEAM "very good", HQE "very good") - French SRI label - Article 8 or 9 SFDR - Achievement of energy consumption reduction target Tertiary Decree - Comply with an approach to reduce GHG emissions according to a defined trajectory	**25%** - Reference to concepts that do not focus on the climate or even the environment (Art. 8 SFDR, SRI labels)
Sogecap	"The Sogécap Group has set itself the target of doubling its "green" assets under management between 2020 and 2025."	696,5 M€	2025	"These assets consist of: - green bonds: €1,591 million; - climate and energy transition theme funds (certified or equivalent): €314 million; - direct investments in infrastructure dedicated to energy transition or renewable energy: €373 million; - private infrastructure debt: €125 million; - climate-themed equity funds: €2,182 million; - climate-themed bond funds: €601 million; - the 'Ambition Climat' local fund: €65 million.'"	**0%** - Most of these items do not constitute a definition but rather a breakdown of the amount by asset class.
Groupe des Assurances du Crédit Mutuel	No transition investment target				
BPCE Vie	No transition investment target				
Generali Vie	"The Generali Group has set itself the target of making new green and sustainable investments of 8.5 to 9.5 billion euros by 2025, in addition to those already in its portfolio at the end of 2020."	1.7 billion	2025	Green, social and sustainability bonds issued by companies or governments that meet the ICMA principles	**25%** - ICMA standard not focused on climate.
Abeille Assurances Holding	"Since 2023, Abeille Assurances has committed to financing sustainable investments up to €750m".	750 M€	NC	"Internal taxonomy of sustainable investment - Article 9 SFDR funds: listed, unlisted and real estate - Listed funds with a proven climate objective - Infrastructure for transition - Funds with a social, environmental or SSE impact - Green bonds : CBI - Social bonds: ICMA - Sustainable bonds: ICMA - Sustainable private debt: Sustainable Linked Loans - Sustainable infrastructure debt: RE projects or projects with the transition theme at the heart of their strategy - Direct property: recognised "very good" environmental certification	**25%** - Various standards, not all of which focus on the climate.

[19] The amount has been annualised where a commitment relates to a total amount outstanding at the end of the period, using a linear approximation.

Groupama GAN Vie	"To finance the energy transition through the green investments of its additional sustainable investment programme of €1.2 billion over the period 2022-2024, mainly invested in infrastructure, real estate and green bonds." "As the Group target of €1.2 billion was reached a year early, the programme has been renewed for an equivalent amount over the period 2024-2027."	300 M€	2027	Environment : - Equities: EU Taxonomy aligned - Corporate bonds: Green Bonds ICMA or EGBS - Sovereign bonds: Green Bonds Principles - Corporate PE: environmental infrastructure linked to eligible activities Taxonomy - Infrastructure: article 9 SFDR - Property assets: labelled or certified or aligned projects Taxonomy - Real estate funds: article 9 SFDR Social : - Equities: internal analysis - Corporate and government bonds: Social Bonds Principles - Corporate PE: internal analysis - Infrastructure: article 9 SFDR - Real estate: internal analysis	**25%** - Various standards, not all of which focus on the climate.
Allianz France	"The Allianz Group plans to invest a further €20 billion in climate protection and technology by 2030."	2.9 billion	2030	"Investments in climate solutions are categorised as a) sustainable activities, which are aligned to climate change mitigation and adaptation activities in the EU taxonomy, or b) investments that meet the criteria for sustainable investments aligned to Allianz SFDR Article 2 by contributing to a climate change environmental objective and passing a DNSH review and good governance screening, for example, green bonds, sustainable forestry or mixed finance funds. Investments in sovereign or quasi-sovereign debt are not included".	**25%** - Non-exhaustive definition (no definition of "clean technologies") and not fully operational: reference to the taxonomic framework or equivalent but no explicit link between the underlying activity and the investment.
Suravenir	No transition investment target				
La Mondiale	No transition investment target				

Focus on AMs

Portfolio decarbonisation targets :

A representative sample of 22 asset management companies was selected to carry out the same qualitative analysis: 12 general asset management companies, 5 private equity companies and 5 real estate companies. Of these 22 asset management companies, 12 set an objective of decarbonising their portfolios, i.e. 55% compared with 92% for the sample of insurers. Most of the asset management companies that did not set a target for reducing the emissions financed also formulated a target in terms of implicit temperature or alignment of the underlying assets with SBTi targets. Real estate asset management companies often set targets for reducing the energy consumption of their assets, sometimes in addition to emission reduction targets.

The scope, methodologies, data sources and units of measurement vary greatly from one PMS to another. The heterogeneity of measurement units and perimeters can also be observed within the sample of AM. It should be noted that some, such as HSBC France (see p. 42), publish a great deal of detail about their methodological choices and justify them. Among the players that have chosen a temperature target, the level of detail given on the methodology varies significantly. Mirova is among the most advanced in terms of methodological transparency, publishing a dedicated document alongside its 29 LEC report. LBP AM and Rothschild & Co Asset Management are the only asset management companies in the sample to base their climate strategy on the SBTi targets adopted by their investee companies. In theory, this approach allows for greater granularity than an aggregate portfolio decarbonisation objective, thanks to the sector-based treatment of SBTi targets.

AM	Type	Reference date	Target date	Decarbonisation target	Unit	Scopes	Asset scope	% assets covered at date
Amundi AM	GEN	2019 2019	2030 2030	-41% -60%	Absolute tCO2e Intensity tCO2e/M€ turnover	1, 2 and 3 direct upstream 1, 2 and 3 direct upstream	Equities and bonds Equities and bonds	ND ND
Axa IM Paris	GEN	2019 2019	2030 2025	-50% -20%	tCO2e/$M kgCO2e/m2	1 and 2 1 and 2	Equities and bonds Real estate	65% ND
Ostrum AM	GEN	No financed emissions reduction target						
BNP Paribas AM	GEN	2019	2030	-50%	Carbon footprint tCO2e/€M	1 and 2	ND	ND
Groupama AM	GEN	2021	2030	-50%	Intensity tCO2e/M€ turnover	1 and 2	Insurance portfolios	44%
HSBC Global AM (France)	GEN	2019	2030	-58%	Intensity tCO2e/$M invested	1 and 2	Equities and bonds	38%
Crédit Mutuel AM	GEN	2018	2027	-36%	Footprint tCO2e/€M	1 and 2	Equities and bonds	78%
Ardian France	CI	No financed emissions reduction target						
AEW	IMM	2023	2030	-40%	CO2	1, 2 and 3	Real estate	ND
Ofi Invest AM	GEN	2020	2030	-50%	Intensity tCO2e/M€ invested	1, 2 and 3	Equities and bonds	ND
LBP AM	GEN	No financed emissions reduction target (SBTi alignment target)						
Rothschild & Co AM	GEN	No financed emissions reduction target (SBTi alignment target)						
Swiss Life AM France	GEN	2021	2030	-49%	Carbon footprint	1, 2 and 3	Bonds and money market	15%
Lazard Frères Gestion	GEN	No funded emissions reduction target (implicit temperature target)						
PRAEMIA REIM France	IMM	ND	2030	-5% per year	Intensity kgeqCO2/m2	ND	Real estate	ND
Ampère Gestion	IMM	ND	2030	Target of 15 kgCO2/m2/year.	kgCO2/m2/year	ND	Real estate	ND
Mirova	CI	No financed emissions reduction target (implicit temperature target)						
La Française Real Estate Managers	IMM	No financed emissions reduction target (implicit temperature target)						
Oddo BHF AM	CI	No financed emissions reduction target (implicit temperature target)						
BPI France Investissement	CI	No financed emissions reduction target						
Antin Infrastructure Partners	CI	2022	2030	-42%	Absolute tCO2e	1 and 2	equities bonds	ND
BNP Paribas REIM France	IMM	No financed emissions reduction target (target of reducing energy consumption by assets)						

As in the case of insurers, we calculate the scores for alignment with the trajectory of the ACT Finance methodology (see5.4.1 **), highlighting the same limitations**: the objective of reducing financed emissions is only one component of a financial institution's climate strategy, and the analysis carried out does not cover the scope of the target (financial and emissions coverage, data reliability), while the levers for achieving it are not in practice specified. It should be noted that for 2 AM, the wording of the target made it impossible to carry out the calculation. The results are significantly better than for insurers, with only one asset management company not having a target with a score above 100%, compared with 4 out of 11 for insurers.

AM	Type	Decarbonisation target alignment score (ACT Finance)
Amundi AM	GEN	**93%** **135%**
Axa IM Paris	GEN	**113%** **79%**
Ostrum AM	GEN	
BNP Paribas AM	GEN	**113%**
Groupama AM	GEN	**132%**
HSBC Global AM (France)	GEN	**131%**
Crédit Mutuel AM	GEN	**95%**
Ardian France	CI	
AEW	IMM	**136%**
Ofi Invest AM	GEN	**119%**
LBP AM	GEN	
Rothschild & Co AM	GEN	
Swiss Life AM France	GEN	**130%**
Lazard Frères Gestion	GEN	
PRAEMIA REIM France	IMM	**ND**
Ampère Gestion	IMM	**ND**
Mirova	CI	
La Française Real Estate Managers	IMM	
Oddo BHF AM	CI	
BPI France Investissement	CI	
Antin Infrastructure Partners	CI	**125%**
BNP Paribas REIM France	IMM	

Targets for financing the transition :

8 AMs propose transition financing/investment objectives, 6 generalist (50%, the same proportion as insurers), 1 private equity and 1 real estate. Here again, the definitions are heterogeneous: for one asset management company, no definition was found in the report (BPI France Investissement), while for another, the principle of compliance with a Net Zero standard is set according to asset class and product type, but no details are provided (Amundi). 3 asset management companies have commitment by portfolio share of companies that have validated SBTi targets. One asset management company refers to the ICMA standard. One asset management company uses the concept of "climate solution" for different asset classes, with definitions based on different standards.

BNPP AM presents an objective based on a framework for categorising companies: "carbon neutrality achieved", "aligned", "in the process of alignment", "non-aligned", determined by definitions based on different standards: share of contribution to the European taxonomy, contribution or harm to the SDGs, SBTi targets and analyses of the transition plan (TPI and CA 100+ benchmarks). While there are points of attention to be noted with regard to certain aspects of the system (ability to discern the contribution to the SDGs, reflections on taxonomic thresholds and complementary activities, robustness of analysis methodologies), it represents an example of advanced practice consistent with the recommendations set out in section 3.1.4.

As with insurers, the "quality" of the definition was analysed in relation to the ACT Finance methodology (see 5.4.2). The average score is 42% for 8 AMs (vs. 25% for 6 insurers), due in particular to the greater use of standards such as SBTi, CRREM, or analyses of transition plans. SwissLife and BPI quantify an objective in monetary units, while the others indicate it as a percentage of the portfolio, which seems fairly consistent with players that are by definition dependent on the investment/divestment effects of their clients.

AM	Financing target	Annual amount	Due date	Definition of assets	Quality of definition - ACT Finance Score
Amundi AM	"By 2025, 18% of its assets will be invested in funds and mandates with objectives aligned with a Net Zero trajectory.	Expressed as relative	2025	"This objective is constructed as follows: - In the numerator, only asset classes with recognised Net Zero standards are taken into account: listed equities, corporate bonds and property. Only investment strategies with objectives or alignment constraints set out in the reference documents will be counted. Asset classes for which insufficient data is available and/or methodologies have not been completed are excluded at this stage (e.g. sovereign assets); - In the denominator, the following assets are not taken into account: assets under joint ventures, fund hosting and specific advisory mandates for which Amundi does not have full management discretion.	**25%** - The definition refers to a standard Net Zero which is not detailed in the report. Heterogeneous definitions are applied in practice.
Axa IM Paris	"Percentage of assets under management dedicated to climate solutions: 6% by 2025".	Expressed as relative	2025	- Property: high level of independent environmental certification ("excellent", "gold" and CPE level B minimum or equivalent) - Forestry: FSC or PEFC - Property debt: high level of certification - Debt and equity: internal analysis based on CBI taxonomy	**50%** - Definitions are heterogeneous in practice, with the CBI reference giving a score of 75%. Forestry certification may be considered a less advanced standard than taxonomy, but there are few intermediate quality alternatives. Overall, a score of 50% is awarded
	"Alignment with the CRREM trajectory: 50% of direct real estate assets under management compliant with the CRREM115 trajectory by 2025".	Expressed as relative		CRREM	**75%** - The CRREM tool is used to assess the building's projected trajectory in relation to the SBTi 1.5°C trajectory, by setting detailed parameters for the various changes expected in the building. The definition is potentially fairly robust, but as it works on a self-assessment basis, it is not possible to go as far as 100%.
Ostrum AM	No transition investment target				
BNP Paribas AM	"Align our investments with the objective of carbon neutrality, by targeting 60% of the investment perimeter in companies that have already achieved carbon neutrality, are aligned with this objective or are in the process of aligning by 2030; to reach 100% of the perimeter by 2040".	Expressed as relative		"NZ:AAA framework described in detail in the Art. 29 LEC report, based in particular on taxonomy, alignment with the SDGs, the SBTi standard, TPI and CA100+ assessments".	**50%** - The definition framework is structured and refers to different standards with an average value of 50% (SBTi at 50%, taxonomical analysis without DNSH filter on the complement more towards 75%, ODD contributory analysis more towards 25% due to methodological difficulties in tangibilising a contributory link).
Groupama AM	No transition investment target				
HSBC Global AM (France)	No transition investment target				

Crédit Mutuel AM	No transition investment target				
Ardian France	No transition investment target				
AEW	No transition investment target				
Ofi Invest AM	No transition investment target				
LBP AM	"In concrete terms, from 2030, the objective of 80% of total assets aligned translates into an investment target of 90% of LBP AM - TFSA's eligible assets in companies whose decarbonisation trajectories have been validated by the Science-Based Targets (SBTi) initiative as compatible with the emission reduction scenarios required to achieve the climate objectives of the Paris Agreement. [...] then 100% in 2040".	Expressed as relative		SBTi targets validated	**50%** - An SBTi target guarantees the relevance of the target, but not the credibility of the resources deployed to achieve it.
Rothschild & Co AM	"We have defined an intermediate target of 2030, and our ambition is for 75% of our assets to be invested in companies with targets aligned with a 1.5°C scenario, within the basket of assets held through our open-ended direct management funds." "Rothschild & Co Asset Management's strategy of alignment with the international targets for limiting global warming set out in the Paris Agreement covers the assets under management in open-ended direct management funds, representing [...] 65% of total assets under management [at the end of 2023]."	Expressed as relative		"To do this, we chose the "Portfolio coverage" methodology of the Science Based Target initiative, i.e. the percentage of companies with targets based on climate science and aligned with a scenario of a temperature rise of 1.5°C".	**50%** - SBTi: same as LBP AM
Swiss Life AM France	The Swiss Life Group has exceeded its 2021 target of investing at least CHF 2 billion in green bonds by the end of 2023.	CHF 2 bn	2023	Green bonds: ICMA	**25%** - ICMA standard
Lazard Frères Gestion	No transition investment target				
PRAEMIA REIM France	No transition investment target				
Ampère Gestion	No transition investment target				
Mirova	No transition investment target				
La Française Real Estate Managers	No transition investment target				
Oddo BHF AM	No transition investment target				
BPI France Investissement	"Bpifrance's support for the Ecological and Energy Transition will total €7.1bn in 2023 (compared with €5.8bn in 2022). Between now and 2028, the Bpifrance group aims to inject nearly €35bn more into the ecological and energy transition and to accelerate the transition of 20,000 businesses."	5.58 billion	2028	ND	**0%** - No public definition
Antin Infrastructure Partners	"Invest 100% of its capital in portfolio companies with science-based targets (SBTs) validated by the Science Based Targets Initiative (SBTi) by 2040".	Expressed as relative	2040	SBTi targets validated	**50%** - SBTi: same as LBP AM
BNP Paribas REIM France	No transition investment target				

3.1.3.2. Quantitative analysis

The mapping of unit typologies was carried out manually, with over 150 occurrences sorted into 11 categories using a correspondence table, with the possibility of interpretation errors. A dedicated category was provided for cases of uncertainty. The results, applied to the entities that declared that they exceeded the €500m threshold, are as follows:

	Insurance			AM			Banks			Total		
Category	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Absolute	18	16%	6%	51	17%	4%	5	15%	17%	74	17%	5%
Carbon footprint	72	64%	39%	18	6%	6%	2	6%	8%	92	21%	16%
Carbon intensity	14	12%	6%	46	16%	32%	2	6%	2%	62	14%	23%
Degree	53	47%	33%	66	22%	10%	6	18%	10%	125	28%	17%
Physical intensity	6	5%	9%	27	9%	3%	0	0%	0%	33	7%	5%
Physical metric excluding GHG	2	2%	1%	8	3%	0%	0	0%	0%	10	2%	0%
Share of portfolio	3	3%	5%	24	8%	4%	1	3%	1%	28	6%	4%
Avoided emissions	0	0%	0%	1	0%	0%	0	0%	0%	1	0%	0%
Score	0	0%	0%	3	1%	1%	0	0%	0%	3	1%	1%
Multiple	0	0%	0%	6	2%	1%	0	0%	0%	6	1%	1%
Uncertain	27	24%	33%	45	15%	53%	1	3%	1%	73	17%	46%
No metric cited	39	35%	40%	149	51%	27%	26	76%	63%	214	48%	32%

It should be noted that the same entity may have produced several metrics, so the total will exceed the total for submissions.

Moreover, citing a metric **does not necessarily imply an associated objective.** In the case of insurers, for example, out of 200 occurrences, 77 have no associated metric (43/319 for asset managers). In addition, some metrics are set at 0 (for example, 9 AMs put one unit back in the absolute objective field and the figure 0 in the metric field). These are probably "empty" submissions, which artificially inflate the statistics, but this may be ambiguous in the context of an overall objective of neutrality.

Last year's results are shown below. This year, it has been decided to include the "SBTi targets" indicator in the "portfolio share" category.

	Insurance			AM			Banks			Total		
Category	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Absolute	17	16%	19%	14	5%	13%	1	3%	2%	32	8%	15%
Carbon footprint	48	45%	38%	4	1%	3%	0	0%	0%	52	12%	15%
Carbon intensity	15	14%	5%	15	5%	4%	0	0%	0%	30	7%	4%
Degree	61	57%	45%	55	20%	10%	1	3%	23%	117	28%	22%
Physical intensity	4	4%	5%	9	3%	2%	0	0%	0%	13	3%	3%
Physical metric excluding GHG	4	4%	4%	9	3%	7%	0	0%	0%	13	3%	6%
Share of portfolio	0	0%	0%	5	2%	1%	0	0%	0%	5	1%	1%
Avoided emissions	0	0%	0%	1	0%	0%	0	0%	0%	1	0%	0%
Score	0	0%	0%	1	0%	0%	0	0%	0%	1	0%	0%
Multiple	3	3%	0%	9	3%	39%	0	0%	0%	12	3%	25%
Uncertain	15	14%	16%	17	6%	2%	0	0%	0%	32	8%	7%
No metric cited	41	38%	23%	192	68%	65%	30	94%	75%	263	63%	51%

Lastly, an analysis by type of asset management company was carried out this year. It should be remembered that only entities with more than €500m in assets under management are presented in these results, as voluntary submissions below this threshold are rare.

Category	GEN	PE	RE	OTH	Total
Absolute	20	23	7	1	51
Carbon footprint	15	3	0	0	18
Carbon intensity	28	10	6	2	46
Degree	44	14	4	4	66
Physical intensity	1	3	22	1	27
Physical metric excluding GHG	0	0	8	0	8
Share of portfolio	11	10	1	2	24
Avoided emissions	1	0	0	0	1
Score	2	1	0	0	3
Multiple	2	0	3	1	6
Uncertain	17	16	8	4	45
No metric	55	55	26	13	149

The following key takeaways can be drawn:

Reduction in the number of entities with no objective/metric cited

The number of financial institutions with assets exceeding €500m that did not report any metric is falling (215 this year compared with 263 last year, down from 63% to 49% by number). This change is mainly attributable to asset management companies (from 192 to 149, or from 68% to 51% of asset management companies by number). While there is no guarantee that each mention of a metric will result in an actual commitment presented in the entity's 29 LEC report, this trend highlights the fact that more and more financial institutions are structuring the subject in a precise manner.

A biased prevalence of the number of occurrences in degree/implied temperature

As was the case last year, the "degree" metric was used most often (125 occurrences, or 28% of entities). However, given that the common global objective is to contribute to the Paris Agreement, which aims to limit global warming to below 2°, some entities may have considered that their intention to contribute should be reflected by entering the information "1.5" or "2" in the required data field, regardless of the methodology actually put in place behind it (absolute emissions reduction, carbon intensity reduction, SBTi targets, effective application of an implicit temperature increase method, etc.), or even in the absence of an objective or methodology.

Thus, a few manual checks carried out in the underlying literary 29 LEC reports rarely revealed any actual mention of implicit temperature alignment, either as a "real" objective or simply as a monitoring metric.

Great caution is therefore required when interpreting these figures.

Furthermore, temperature alignment methodologies, when they are actually used, are subject to the biases described in 3.1.4 , which make the physical interpretation of this indicator difficult.

A strong presence of 'GHG' metrics in absolute or monetary terms, but uncertainties persist

Metrics expressed in absolute terms (tCO2e), in intensity or in footprint are collectively the most cited (222 occurrences for all populations combined this year).

As was the case last year, and despite the educational efforts made by the AMF to standardise submissions, it was not always possible to distinguish correctly between carbon footprint and carbon intensity (typically, the information provided by the entity is "tCO2/€m", without specifying whether it refers to €m invested or turnover).

One of the challenges of using the absolute metric is that it may seem less suitable for organizations subject to collection effects, such as is typically the case for Life insurers or AM[20]. This may explain why many entities prefer to use the carbon footprint or carbon intensity metrics, which, however, have their own biases, as discussed below

Intensity and physical metrics, especially for real estate

Of the 33 physical intensity inventories, 27 relate to the gCO2e/m² unit, used by property AMs (22) or by AMs with a large property portfolio (5). There are also 8 property AMs that do not track emissions but directly the quantity of energy consumed by their building stock, either in absolute terms (MWh) or in terms of intensity (MWh/m²). The advantage of this metric is that it reflects the main actions taken by investors, such as renovation work and awareness campaigns aimed at reducing consumption, without the monitoring being disrupted by variations in the electricity production emission factor, which is the responsibility of electricity producers. However, an indicator of this kind does not necessarily make it possible to value efforts such as replacing oil-fired heating, or replacing gas-fired boilers with other systems.

Among the insurers quoting a physical intensity metric, we identify :

- Four insurers also tracking the gCO2e/m² intensity of their property portfolios, and two tracking energy consumption in MWh.
- An insurer who monitors a number of indicators, including two physical intensity indicators:
    - Overall monitoring in absolute terms, monitoring in terms of carbon footprint (tCO2e/€ invested) and monitoring in terms of physical intensity for two emissive sectors, electricity production (tCO2/GWh) and car manufacturers (gCO2/km).

The emergence of share-of-portfolio metrics/categorisation frameworks

There were 28 occurrences of "portfolio share" indicators, compared with 18 last year, reflecting several approaches:

- Percentage of companies with SBTi aligned targets
- Percentage of assets considered to be aligned, using various definitions (in particular taxonomic alignment of the company invested in, presence of targets considered to be aligned, etc.).
- For property investors, the proportion of the portfolio with an EPC above a certain value (e.g. D), or the proportion of assets considered to be aligned with the CRREM trajectories.

In addition, as the qualitative section shows, there are also commitments to invest in "green" or "sustainable" assets, but these do not appear to be included in the current reporting framework set up by supervisors.

This type of approach, which ADEME stresses is relevant for *ex ante* steering of financial flows, **is still in its infancy, but is making progress**. It requires a framework for analysing/identifying the "green" or "transitional" nature of the companies and projects invested in, which still needs to be harmonised and consolidated, and adapted to each type of actor.

[20] Therefore, if an AM manages a €1 billion fund and sees net inflows of €500 million over one year (perhaps because it has a good climate performance that attracts green investors), these inflows will translate into new investments that will automatically generate an increase in the measured emissions financed: +50% if we assume that the investment exactly replicates the initial portfolio, all other things being equal. The carbon footprint metric expressed in tCO2e/m€ invested eliminates this problem, but at the cost of introducing other biases, see *below*.

Other points of attention

Other less frequently cited metrics include :

- Three references to the use of a "score", all by AM. Two relate to scoring methodologies (specifically, the NEC developed notably under the initiative of Sycomore Asset Management and the CIA from Carbone 4). The last metric mentioned specialises in the hotel sector. This is the environmental display index, used in practice by the AM, which uses it as the basis for monitoring an ESG grid for its holdings.

In practice, many financial institutions probably use this type of score, but very few have actually displayed them as a measure to assess the alignment of their investment strategy with the Paris Agreement.

- A reference to avoided emissions. In practice, however, the AMs does not refer to the concept in its literary report Art. 29 LEC.

Finally, it should be pointed out that, despite an improvement in the submission format, particularly at the AM level (where it was only possible to submit one internal metric last year compared with 4 this year, as was the case for the Insurers' submissions), some players persisted in submitting multiple pieces of information within the same field (typically "tCO2 and tCO2/M€ invested"). In view of the small number and the limited time available, no manual reclassification was carried out.

This quantitative analysis was supplemented by a qualitative analysis, presented in**Erreur ! Source du renvoi introuvable.**

3.1.4. Challenges and perspectives for metrics and indicators in support of climate strategy

Analysis of the 29 LEC *reports* provides an overview of the metrics used by players to support their strategy of alignment with the Paris Agreement. To enable finance to make an effective contribution to the transition, we need to highlight the various strengths and weaknesses of the main metrics used, and pass on best practice to financial institutions.

This section therefore provides a pedagogical reminder of the characteristics of the different types of metrics and how, in order to ensure the effectiveness of a financial institution's strategy of alignment with the Paris Agreement, it is necessary to have both *forward-looking* metrics, based in particular on an analysis of the transition plans of the companies invested in, and *backward-looking* metrics that make it possible to verify, by relevant emitting sector of activity, the actual decarbonisation of the economic activities underlying the investments.

These elements are supported by the various developments in market approaches such as the reflections of UNEP-FI, SBTi, GFANZ, CBI and ADEME (ACT Finance).

Metrics from emissions inventories: an easier but backward-looking approach

Four main types of target based on the greenhouse gas (GHG) financed emissions inventories financed are identified by the stakeholders:

- « Absolute » targets
    - For example, "*I am committed to reducing the financed emissions of my portfolio by 40% between 2019 and 2030*",
    - In practical terms, this means that if I was at 1000tCO2e in 2019, I must be below 600tCO2e in 2030.

- « Physical intensity » targets where, for each relevant sector, GHG emissions are calculated per unit of good produced (tonne of cement, aluminium, kWh of electricity). Intensities are calculated for each company in the sector invested in, and aggregated as a weighted average of the investments in each of these companies.
    - For example "*in the cement sector, I am commited to reduce the physical intensity of my portfolio expressed in tCO2e/t cement by -25% by 2030 from a reference date in 2018*".
    - In practical terms, this means that if in 2018 I have a physical intensity of 0.8tCO2e/t cement as a weighted average of my investments in cement companies, I must be at 0.6tCO2e/t cement at the most in 2030.

- «Carbon footprint » targets, where the amount of GHG emissions is related to the amount of investment, which makes it possible to manage the simple effects of variations in fund or life insurance product inflows.
    - For example, "*I am committed to reducing the carbon footprint of my portfolio by 30% by 2025 from a baseline in 2020*".
    - In practical terms, this means that if I have a carbon footprint of 100tCO2e/€ invested in 2020, I need to be at 70tCO2e/€ invested in 2025 at the most.

- «Carbon intensity targets», where, for each company, the amount of GHG emissions is related to turnover. At portfolio level, an average of this indicator, weighted by investment, is then calculated.
    - For example, "*I am committed to reducing the carbon footprint of my portfolio by 30% by 2030 from a baseline in 2020*".
    - In practical terms, this means that if I have a carbon intensity of 50kgCO2e/€m turnover in 2020, I need to be at 35tCO2e/€m turnover at the most by 2030.

The distinction between the latter two (carbon footprint and carbon intensity, terms defined by SFDR[21]) is not always clear from the reports, since the players may talk about "intensity" and targets in tCO2/m€, without specifying whether they are talking about millions of euros invested or millions of euros of turnover.
Each type of target has its advantages and disadvantages, which are summarised in the table below. The purpose of this table is not to impose one metric or another on financial institutions, but to highlight the need to be aware of the limitations of the indicators used and to ensure that their characteristics are consistent with their use in the climate strategy.

Target typology	Benefits	Disadvantages
Absolute (tCO2e)	Relationship with "real" emissions in direct reading	Handling multiple counts[22] No management of collection effects
Physical intensity (tCO2e/physical unit)	Granular physical interpretability Link/comparability with work on transition scenarios, in particular IAE	Requires a granular vision by sector No view of activity data to reconcile with actual emissions[23] Edge effects on multi-activity companies
Carbon footprint (tCO2e/€ invested)	Neutralisation of collection effects	Variability due to extra-climatic factors (market value of assets)[24]
Carbon intensity (tCO2e/€m turnover)	Comparability across all sectors Data availability	No physical interpretation Very strong assumption of sector homogeneity ("Renault vs. Ferrari" paradox)[25] Variability due to extra-climatic factors (inflation)[26]

Various market initiatives (including the Net Zero alliances, in particular the NZBA banking alliance) have issued guidelines based on these different metrics. The relatively good availability of carbon data, the possibility of using existing frameworks to set targets (IEA scenarios, SBTi standard) and the ease with which liquid asset classes can be managed (by buying/selling or reviewing the weighting of high or low carbon exposures) make these metrics attractive as a first step towards a tangible climate strategy.

However, all these metrics have in common the fact that they are based on carbon accounting applied to finance, which implies the following limitations:

i. Reliability of GHG data at company level: underlying choices made by each company to select its significant emissions items, the associated emissions factors and activity data, the modelling, completion

[21] SFDR delegated regulation 1288/2022, annex I, forms 2 and 3.
[22] For the economy as a whole, the total amount of GHG emissions is simply the sum of the scope 1 emissions of each of the relevant players. *At the end of the day,* scopes 2 and 3 are simply the scope 1 of one or more other players. While in some cases the person responsible for the emissions is not a company (e.g. downstream scope 3 linked to the use of the vehicle by a private individual in the context of a car manufacturer), in other cases emissions will be "stacked" (e.g. a raw material extracted by one company, processed by another and used by a third: the emissions associated with the extraction will be accounted for at the level of each company: in scope 1 for the producer and then upstream scope 3 for the other two. Cross-holdings by companies in other companies can also cause disruption.
[23] If, for example, physical intensity falls by -20% but at the same time the company produces twice as many goods, all other things being equal, overall emissions will have risen by +60%.
[24] So in mid-November 2023, with the Eurostoxx having risen by around 35% in 5 years, a financial player managing a Eurostoxx 50 index fund could, without the cumulative emissions of the companies making up the index having changed one iota, show a reduction of 1-1/1.35 ~ -25% in the intensity of its portfolio per €m invested.
[25] The underlying assumption of carbon intensity is that one euro produced by two companies is equivalent in terms of GHG emissions. A comparison within the same sector between a niche company focusing on luxury or high value-added products and a "generalist" company highlights a significant bias that can send out the wrong message. For example, in 2022 Ferrari sold 13,221 vehicles a year, with turnover of €5.1 billion and emissions of 0.3mtCO2e, whereas Renault sold 2.7 million vehicles, with turnover of €46 billion and emissions of 57mtCO2e. Ferrari's carbon intensity is therefore 65tCO2e/m€ turnover, while Renault's is 1,230 tCO2e/m€ turnover, **almost 20 times higher,** despite the fact that the environmental performance of a Ferrari, with its focus on sportiness, is lower overall than that of a Renault model.
[26] The phenomenon of inflation leads mechanically, all other things being equal, to an increase in company turnover and therefore a reduction in carbon intensity in relation to turnover, independently of any concrete action on greenhouse gas emissions.

and verification work that may be carried out by intermediary service providers according to models that will vary from one service provider to another, etc.

ii. Except for physical intensity, biases associated with aggregating the metric at portfolio level, cf. disadvantages mentioned in the table above;

iii. *Backward-looking view* of the indicator: it is only ex post that it will be observed that the company, whose financial assets have already been invested, has indeed reduced its emissions, which prevents the allocation of financial flows based on actual transition prospects, thus making the contributory aspect difficult to demonstrate

iv. The possibility of "*paper* decarbonization", enabling a significant drop in the metric used to monitor emissions for a limited financial impact, and thus making it easy to achieve the targets set **without any actual reduction in emissions in the economy** / tangible financial impact that would influence the economic actors .[27]

Various initiatives, including PCAF, have recently been working on the development of *forward-looking* emissions metrics (accounting for expected emissions reductions or avoided emissions). While these metrics make it possible to overcome the disadvantage of a *backward-looking* system, a number of limitations remain (comparability, stability), while new difficulties are emerging (definition of reference scenarios, credibility of future trajectories).

To date, the NZBA alliance of banks and the draft SBTi FINZ standard recommend **sectoral monitoring of emissions**, expressed in physical intensity where possible. ADEME stresses that it is in the interest of investors beyond the banks to deploy this type of approach for the relevant sectors, which makes it possible to maintain a backstop verifying *ex post* the actual decarbonisation of these sectors, while avoiding some of the flaws associated with monitoring expressed in absolute or monetary emissions. However, setting greenhouse gas emission reduction targets is not enough in itself to ensure that the investment strategy is in line with the Paris Agreement: we need metrics that allow us to assess the position of the emitting economic player *ex ante*.

Identifying low-carbon/transitional assets: developing a forward-looking approach

Various initiatives (ACT Finance methodology developed by ADEME, SBTi's draft FINZ standard, GFANZ, UNEP-FI document, CBI framework), aware of the limitations of the carbon metric approach alone, are pushing financial institutions to refocus their transition management on what they do: invest (or stop investing) and use their power to influence as investors (commitment, with proposed resolutions, voting, dialogue, support and escalation processes). This means identifying which are the "right" players and projects, and which are not adopting a transition approach in practice, or an approach that is sufficiently credible and ambitious.

In this respect, the use of the SBTi standard at the level of non-financial companies[28] may prove interesting, by measuring, possibly by relevant sector of activity, the proportion of companies with such targets. However, it should be emphasised that the setting of an ambitious decarbonisation target by a company does **not provide any assurance** as to (i) the credibility of the measures it has put in place to achieve it, or (ii) whether it has actually achieved the target. The approach can therefore be seen as a first step in the right direction**, but insufficient in terms of the overall objective** of adopting a climate strategy in line with the Paris Agreements.

ADEME therefore recommends **that financial institutions adopt a framework for analysing companies' transition plans and the low-carbon nature of the projects they invest in, making it possible to categorise issuers and projects according to their climate profile**. Two concrete examples have been identified at this stage: the NZ:AAA system proposed by BNPP AM Europe, which is based on a categorisation of "aligned", "in the process

[27] Let's assume a portfolio with 90% exposure to low-emission companies (say 1tCO2e/€M invested) and 10% exposure to high-emission companies (say 100tCO2e/€M invested). A variation of +/-1% in the financial composition in favour of the low-emission sector is enough to vary the carbon metric by almost -10%. The mechanism can be applied even within the same sector, as the range can vary depending on the precise positioning in the value chain / the metric chosen. Such variations are enough to compete with or even cancel out variations linked to the actual decarbonisation of companies.

[28] The SBTi initiative provides a validation and certification framework for corporate emissions reduction targets. This framework is adapted to the challenges faced by each sector, with the aim of (i) covering the relevant greenhouse gas emissions (ii) expressing the target in a relevant format (physical intensity or absolute reduction target) and (iii) ensuring the ambition of the target in relation to the transition scenarios compatible with the Paris Agreements, with two types of target: *near-term* targets for the period up to 2030 and "*net zero*" targets for the period 2040-2050. SBTi is currently reviewing the framework, particularly as regards financial institutions.

of alignment", "non-aligned" and "carbon neutrality achieved" ([29]), and a framework currently being developed by the insurer Generali that focuses more broadly on environmental performance ("Other", "Behind schedule", "Intermediate", "Advanced" and "Very advanced").

Categorisation enables the development of metrics and associated "financing" targets (expressed in terms of portfolio share or amounts invested, overall or by sector[30]) to ensure that investments are properly allocated ***ex ante***, in addition to "technical" greenhouse gas metrics, which ensure that greenhouse gas emissions are actually reduced ***ex post.*** This categorisation framework could be combined with differentiated strategic axes. An **illustrative** example is given below:

Strategic focus	Actor/active category	Management leverage	Comment - Example
Mitigation	Activities in opposition to the objective of the Paris Agreements	Exclusion	The targeted activity is significantly detrimental to the fight against global warming (typically a new coal mining project).
	Not aligned	Commitment, Exclusion	The target company has not made a climate commitment / its approach is not credible. It is advisable to allow a maximum commitment period (e.g. 2 years) before deciding that, as the actor is not credible, the process should be escalated to the point of exclusion.
	To align	Commitment	The actor has set partial targets / the action plan is not backed up. Here again, a support strategy with a waiting period (4 years?) before "downgrading" gives credibility to the financial institution's commitment.
Mitigation, contribution	Aligned	Investment	The company has made commitments in line with the Paris Agreement and has detailed a credible and robust action plan to meet them.
Contribution	Solution for the climate	Investment	The targeted activity contributes to a climate change mitigation/adaptation objective and is not detrimental to other objectives.
Fight against *greenwashing*	Actor for whom the climate issue is not material	NA	Focusing its strategy or communicating strongly on actions carried out by players for whom the climate issue is not material can distract from the priority issues.

It was emphasised that the approach is not simply a question of investing or not investing, but that the financial sector potentially has a key role to play in providing support and solutions to companies that are not yet fully committed to the transition, in particular by encouraging them to draw up a credible transition plan.

The key to this approach remains the rules for categorising the various players/assets. These must be transparent. In the absence of a global consensus to date on what constitutes a "good" virtuous company (in transition or already green), the following main points can be highlighted:

- Relevant for assessing the alignment of an activity (typically a "climate solution"), the **taxonomic reference framework** will itself be **insufficient** for discerning the "transitioning" or "green" character of a company overall . [31]

[29] Attention is drawn to the fact that while the framework corresponds well to GFANZ-type expectations, the definitions may remain open to improvement (for example, assuming carbon neutrality is achieved from 50% of taxonomically aligned turnover).

[30] In this respect, it should be emphasised that the ACT Finance methodology, in order to avoid strategies of concentrating portfolios on sectors with a low climate challenge where it would be "easy" to demonstrate that they are in transition/compatible with a low-carbon world, weights the portfolio shares of the various sectors according to a combination of their financial weight and their weight in terms of global greenhouse gas emissions, and not just their financial weight.

[31] For example, if an energy producer has a mix made up of 60% renewable energies and 40% coal, its very high taxonomic alignment rate of 60% does not allow us to deduce an alignment if the player shows no intention of ceasing/transforming its coal activity on the remaining 40%.

- The purpose of the **CSRD regulation** is to provide relevant and at least comparable information on companies' transition plans and the measures they wish to put in place to achieve them. Here again, however, it is not the CSRD that directly determines whether or not a company is in transition, but rather **the analysis that is made of the reporting**.
- In this respect, it is worth pointing out that ADEME has developed the ACT initiative, which enables (i) a company to build a transition plan using the "ACT Step-by-Step" approach and (ii) a third party to assess the quality of a company's transition plan using the "ACT Evaluation" sectoral methodologies. To date, around 15 business sectors are covered by ACT Evaluation, and work is underway to align with the CSRD (see webinar).

Finally, ADEME lists here **various resources** available for developing frameworks for analysing/categorising companies, which can help financial institutions in their approach:

- An IFD guide to analysing companies' carbon transition performance ;
- The guidelines issued by the ATP-Col group of experts proposing a framework of common principles for assessing the credibility of companies' transition plans.
- The CBI's "Navigating Corporate Transitions" document, which publishes a proposal for criteria for categorising companies and a table showing how the categories correspond to different initiatives;
- ADEME's ACT Investing methodology, which proposes, in indicator 4.1 (p. 90 et seq.), a maturity matrix assessing the quality of the system for analysing the transition plans put in place, and reflecting expectations in this area, as well as the ACT categorisation framework, which proposes using an ACT assessment to determine whether or not a company is credibly in transition;
- Table 15 of the draft SBTi FINZ standard for financial institutions, which describes the requirements for assets that can be recognised as "aligned". It is specified that this is a draft, which ADEME emphasises could be strengthened.

The implicit temperature approach: a contribution that is difficult to demonstrate

The most frequently cited metric in relation to the climate strategy (see 3.1.3.2) is the alignment metric in degrees, which is also highlighted in the decree. The main point to note with regard to this metric is that it has **a strong evocative power of physical interpretability**, in a context where, given the limits of carbon accounting and science in general, and the conceptual complexity of individually allocating a phenomenon that is essentially collective, the proposed methodological approaches necessarily rely on strong model assumptions.

Some of the approaches adopted by the players in the sample were examined in order to understand the underlying methodologies. The result is that the methodologies studied consist either (i) of the simple transposition of a score, or (ii) of approaches containing a number of very significant limitations which are such as to call into question the relevance of the physical interpretability of the results. In addition, the aggregation work required from one company to another to produce a final score (typically through weighted averages of cross-sector exposures) can lead to biased results and allow virtual alignment, similar to virtual decarbonisation (see *above*)[32] . The methodological review carried out by the Institut Louis Bachelier, "*Alignment Cookbook*", goes into more detail on the various limitations associated with this type of methodology.
In particular, in an article published in the *Revue d'économie financière*[33] , the authors of the *Alignment Cookbook* discuss the limitations of methodologies for aligning portfolios with climate trajectories. They conclude that "*due to* [the] *large uncertainties and differences in underlying assumptions, the alignment assessment methodologies used by different providers are not comparable. Consequently, in their current state, while temperature assessment methodologies are used for communication purposes, they are not yet sufficiently developed to be used for financial decision-making or regulatory purposes. In particular, measures of implied temperature rise* [...] *appear to reflect an oversimplification of reality, and their meaning and practical use, particularly for higher temperature levels, are questionable.*"

[32] So if we imagine that a methodology assigns a score of 1.5°C to companies for which the climate issue is not critical, which can be justified by the fact that they are in fact compatible with a low-carbon world, and that a score of 3°C is given to companies in emissive sectors, which testifies to piecemeal efforts, a mechanical application of a portfolio composed of 90% of the former and 10% of the latter will give a score of 1.65°C, which is visually excellent.
[33] Raynaud, J., Tankov, P. and Voisin, S. (2020). Aligning portfolios to a 2°C trajectory: science or art? Revue d'économie financière, No. 138(2), 69-88. https://doi.org/10.3917/ecofi.138.0069.

Of our sample of 12 insurers, the only one to have set an implicit temperature target and not a carbon footprint reduction target, based its approach on the Carbon 4 Finance methodology with a 'target' of 2.5°C for 2030. The methodology detailed in the 29 LEC report does not avoid the limitations highlighted by the above-mentioned research article: simple conversion of microeconomic indicators into implied temperature rises (ITR), uncertainty as to the behaviour of the 'rest of the economy' from which the trajectory of the financial institution's portfolio is not independent, difficulty in aggregating the ITRs of individual assets to obtain a portfolio-wide ITR, heterogeneity of the underlying technological assumptions of the basic indicators, and uncertainty as to the future strategies of the companies themselves.

The potential danger of using this type of approach without precaution is that, with several underlying methodologies based on different paradigms, the public is presented with figures that are apparently homogeneous but totally non-comparable. On this basis, the use of this type of seemingly scientific metric for commercial purposes may prove harmful.

So, without calling into question the potential qualities of these methodologies as indicators for selection, prioritisation, awareness-raising, etc., it seems more prudent to take account of the weaknesses of these indicators, which cannot be physically interpreted, **and to focus on their "score" aspect**. This means that it is not immediately possible, without a demonstration from the financial institution, to deduce from a temperature score close to 1.5°C that the underlying companies in the portfolio are actually contributing in line with international climate objectives.

3.2. Taxonomy

3.2.1. Summary

The ultimate objective of capturing taxonomic information through the decree is to measure and monitor the "greening" of French financial players. As things stand, and despite generally high submission rates (95% for eligibility, 90% for alignment), **it is not yet possible to draw conclusions on this aspect**. This is due to the following factors:

- Inherently complex taxonomy reporting at European level, which provides for differentiated exclusions of assets from the numerator and denominator for financial institutions;
- According to the study published by the AMF in December 2024, the process of collecting taxonomic data from invested companies is still incomplete.

In ordinal terms, despite the considerable uncertainties mentioned, we can consider the following ranges:

- **Eligibility rate of 0% to 20% on average**, with wide variations, particularly in the case of certain specialized AM.
    - Eligibility ratios are more uniform among insurers than among asset management companies, with insurers declaring a ratio of between 10% and 20% representing 60% of assets under management. 36% of AMs report a zero ratio, but these represent less than 10% of assets under management. Weighted by assets under management, the majority of AMs are between 0 and 10%.
    - This disparity between AMs is partly explained by their diversity. Generalist and private equity AMs have an average eligibility ratio of 12% and real estate AMs 65% - a disparity that remains if we exclude "0" submissions and weight by assets under management.
- **Alignment share below 5% on average**, with the following trends:
    - The rate of alignment is higher for AMs (4.1% on average weighted by assets under management over revenue) than for insurers (2.6%). There are several possible explanations for this: on the one hand, there is a "base" effect, where the denominator of the regulatory calculation for insurers is broader than that for AM, including in particular tangible and intangible assets, and on the other hand, there may be a difficulty in accessing information on the insurer side, where less effort may have been made to collect information, in particular from asset managers.
    - The CAPEX alignment rate is significantly higher than the turnover alignment rate according to the sub-analyses carried out on C.2 submissions (3.9% compared with 2.2% for insurers, 8.0% compared with 5.6% for asset management companies), but there is no guarantee that this necessarily means a transformation of the underlying processes of the companies invested in, given the methodological biases that may exist on this indicator.

In addition to the various factors mentioned above, these low eligibility and alignment rates are linked to the fact that there is a strong "dilution" effect linked to the very composition of the portfolios, which are significantly exposed to assets that are not subject to taxonomic analysis: exposure to companies that are not subject to reporting (small European companies, companies from third countries), derivatives, other assets, particularly for insurers. As the financial sector is significantly exposed to itself (40% of insurers' corporate exposure, 30% for asset management companies), this "dilution" effect is passed on from one financial institution to another.

Finally, it should be remembered that even at company level, the analysis of eligibility and alignment is still not very clear, which may lead some invested companies to be cautious and minimise their rates.

An analysis has been carried out on insurers' exposure to nuclear and gas, using C.2 reporting data. It is emphasised that while the positions reported represent less than 1% of total assets, the contribution to aligned assets exceeds 5%, essentially from nuclear power generation, which seems consistent with the French economic landscape in this area.

3.2.2. Context

III-5° of article D. 533-16-1 of the Monetary and Financial Code requires "*the proportion of assets relating to activities in compliance with the technical examination criteria* [of the taxonomy]"[34] . This provision is mandatory for entities with assets in excess of €500m (AM) or balance sheets (insurers).

For example, the information provided in the decree does not go into detail about taxonomic concepts such as the notion of eligibility and alignment, the underlying indicator (turnover, Capex or Opex) or the gradual extension of the taxonomy to climate objectives other than mitigation and adaptation to climate change. In practice, it has been observed that submitters communicate in their report :

- Or the tables required in the standardised appendices (see *below)*, with varying degrees of detail;
- Or on the alignment ratio alone, which corresponds in substance to the provision of the decree, with a possible differentiation between the indicator expressed in terms of turonver and that expressed in terms of CAPEX.

The ACPR and AMF submission models set out a disclosure framework that combines the regulatory framework of Art. 29 of the LEC with the European tax reporting framework, which will not be fully applicable until 2025 (for the financial year 2024). To date, the following appendices have been drawn up:

- (Appendix C.1) a simplified submission table to be used for the 2022 and 2023 financial years (submitted in 2023 and 2024). This table contains only taxonomic eligibility information and not alignment information (see below).
- (Appendix C.2) and (Appendix C.3) detailed tables containing taxonomic alignment information according to the Turnover and Opex indicators to be used depending on whether the financial institution exceeds the NFRD/CSRD thresholds (table 2) or not (table 3), as provided for in Art. 8 of the SFDR Delegated Regulation. In the first case, more detailed information expressed in monetary amounts in addition to ratios is required, which secures the information in terms of analysis.
- (Annex C.4 provided for only by the ACPR) a table including the possibility of providing "voluntary" alignment submission ratios.

The table below provides a simplified summary of the monitoring of submission obligations. Bank submissions have not been investigated due to the different scope (investment only vs. all activities including loans).

It should be noted that the content of these tables differs between insurers and AMs on various points:

- Number of environmental objectives taken into account (2 climatic vs. 6) ;
- The possibility of submitting voluntary ratios has been retained for insurers but not for AM;
- The focus on insurers' exposures to gas and nuclear, as identified by the taxonomy;
- The distinction between general assets and units of account on the insurers' side, which does not apply to the AM;
- As well as various points of detail:
    - Some of the data points in table 1 for AMs (sovereign, derivatives and corporate exposures excluding CSRD) are found in table 3 for insurers.

Financial institutions with assets exceeding €500m were required to submit at least :

- Either Tables 1 and 2
- Or Tables 1 and 3.

[34] "*Share of assets under management relating to activities in compliance with the technical review criteria defined within the delegated acts relating to Articles 10 to 15 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to encourage sustainable investment and amending Regulation (EU) 2019/2088, in accordance with the delegated act adopted pursuant to Article 8 of that Regulation;*"

In practice, a number of inconsistencies were noted: on the insurers' side, 22 joint submissions of tables 2 and 3, and 9 submissions of tables 2 and/or 3 without submission of table 1. On the AM side, 11 joint submissions of tables 2 and 3 .[35]

In addition, as explained in the analyses below, the internal structure of the submissions often reveals inconsistencies. This is due in particular to the complexity of the reporting framework established by the European framework (sometimes unclear wording, relationships between cells in the same table that are not always evident). In this context, the taxonomic levels observed should be treated with caution.

Table	Reporting obligation	Insurance companies	AM
C.1	2024 transitional table on 2023 submissions. Mandatory for all entities >€500m in asset or balance sheet.	Mandatory and voluntary **eligibility** and non-eligibility ratios. The underlying indicator (turnover or CAPEX) is not specified.	Mandatory **eligibility** and non-eligibility ratios, information on assets outside the ratio (sovereign, derivatives) and outside the numerator (non-EU corporate exposure). You are asked to enter the underlying indicator chosen (turnover or CAPEX).
C.2	Table for entities subject to both Art. 29 LEC (>€500m assets under management or balance sheet) and the SFDR tax reporting obligation (art. 8 2020/852)	**Alignment** information in terms of turnover and CAPEX, in the numerator and denominator, and by environmental objective (six objectives). Focus on gas and nuclear activities.	**Alignment** information, in terms of turnover and CAPEX, in the numerator and denominator, and by environmental objective (climate objectives only).
C.3	Table for entities subject to Art. 29 LEC (>€500m assets or balance sheet) **but not subject to** the SFDR tax reporting obligation	**Alignment** information in terms of turnover and CAPEX in ratios, by environmental objective (six objectives).	**Alignment** information in terms of turnover and CAPEX in ratios, by environmental climate objective.
C.4	Optional voluntary alignment table	Turnover and CAPEX alignment ratio, and indicator coverage ratio.	NA

3.2.3. Teaching analysis

3.2.3.1. Taxonomic eligibility

The overall monitoring of the publication of the level of taxonomic eligibility is presented below, based on submission table C01. A number of uncertainties were noted in the completion of this report.

For example, it should be noted **that the statement does not specify which underlying indicator is used to define eligibility: turnover or capital expenditure.** The AMs submission format asked which indicator was used in practice. The following results were obtained:

[35] The statistics were established on the basis of the detection of at least one completed data item concerning the status in question. An analysis carried out by the ACPR on the basis of the "Submitted/Not submitted" status fields gives slightly different results: 29 joint submissions of tables 2 and 3.

Category	GEN	PE	RE	OTH	Total
Turnover	123	84	40	17	264
CAPEX	5	6	12	3	26
OPEX	0	1	0	0	1
NC	1	2	0	1	4

The simpler and more intuitive turnover metric was the most widely used, all classes taken together (91% in number, 97% in assets). The CAPEX metric follows (9% by number, 3% by assets), mainly for real estate (around a quarter of cases), as the notion of turnover is more difficult to grasp for this asset class. One private equity fund declares a communication in OPEX. In practice, the AM declares that the underlying assets are not eligible for the taxonomy and reports 0.

Finally, 4 cases of incomplete information were identified (including three cases where the AMs wrongly declared assets under management of less than €500m), and two cases where the field, duplicated between eligibility and non-eligibility information, differed, which is probably due to an operational error.

It seems reasonable to assume that the same logic has been applied on the insurers' side and that the figures obtained should therefore be interpreted essentially in terms of eligibility measured against turnover.

In addition, a frequently observed methodological discrepancy is that **many players consider that the sum of eligible and non-eligible must necessarily equal 100%, which in practice is almost never the case** due to the presence of assets not subject to taxonomic analysis. However, for 60 insurers, i.e. 46% of those submitting the C01 statement, and 126 asset management companies, i.e. 42% of those submitting the statement, the sum of eligible and non-eligible is 100%. This raises a question about the underlying treatment of the eligibility information: has the non-eligible portion simply been deducted as a complement to the eligible portion, or has it been extrapolated to the relevant portfolio sub-set?

These factors should therefore be kept in mind in the analyses presented. It should be remembered that eligibility aims to measure what fraction of the activities of the underlying companies in the portfolio has been the subject of a taxonomic alignment analysis. Thus, a high alignment figure simply means that an extended taxonomic alignment analysis has been carried out, and not that the environmental performance is in itself good (information provided by the alignment, see 3.2.3.2). In addition, the statistics only cover entities that have declared that they exceed the €500m threshold, in order to avoid artificially high rates of non-submission.

% Taxonomically eligible	Insurance	AM	Total
Publication information (#)	105	291	396
% share	*92,9%*	*98,6%*	*97,1%*
% assets under management	***93,7%***	***96,4%***	***95,5%***
Of which number of submissions at 0	1	106	107
% share	*1,0%*	*36,4%*	*26,6%*
% assets under management	*4,7%*	*8,2%*	*7,1%*
Average % (weight #)	15,4%	22,1%	*20,2%*
Average % excluding 0 (weight #)	15,5%	34,7%	*29,4%*
Average % (weighted assets)	**14,1%**	**13,4%**	***13,6%***
Average % excl. 0 (weighted assets)	14,8%	14,6%	*14,7%*

Guide to reading quantitative analysis tables

Reading this table, which describes a qualitative variable (in this case a number between 0% and 100%), is divided into two parts:

- On the one hand, there is a "descriptive" section indicating how many entities have provided a submission[36] and, of these entities, how many have provided a figure of 0[37] , thus raising doubts as to whether this is an actual submission and not an absence of information.

- Secondly, the calculation of the averages obtained for each of the populations.

The figures are given weighted by assets and weighted by number, so that any bias can be assessed if a large number of small players behave differently from a few large ones. In addition, the averages are communicated including or excluding submissions to 0: in this way the reader can appreciate the uncertainty range of the metric.

It can be seen here that the provision of this information, which is mandatory, was widely followed (97% of entities provided the information, representing 96% of assets under management). Only 12 entities did not submit the required information (8 insurers and 4 asset management companies, including some that felt they were below the €500m threshold and were reinstated, such as one asset management company specialising in securitisation and one purely quantitative asset management company).

On the other hand, while the statistic of "0" is low for insurers (only 1 "0"), it is significantly higher for asset management companies (more than a third of the players having "0"). In all, financial institutions representing one-fifth of assets under management gave 0% to the taxonomic eligibility information.

As a reminder, the average results communicated in last year's report, subject to the same limits in terms of data quality, were as follows:

% Taxonomically eligible	**Insurance**	**AM**	**Banks**	**Total**
Publication information (#)	99	279	31	409
% assets under management	***99,5%***	***97,7%***	***98,0%***	***98,3%***
Of which number of submissions at 0	5	128	10	143
Average % (weighted by asset under management)	**11,5%**	**13,0%**	**13,5%**	***12,5%***
Average % excl. 0 (weighted by assets under management)	12,2%	17,7%	25,4%	*15,9%*

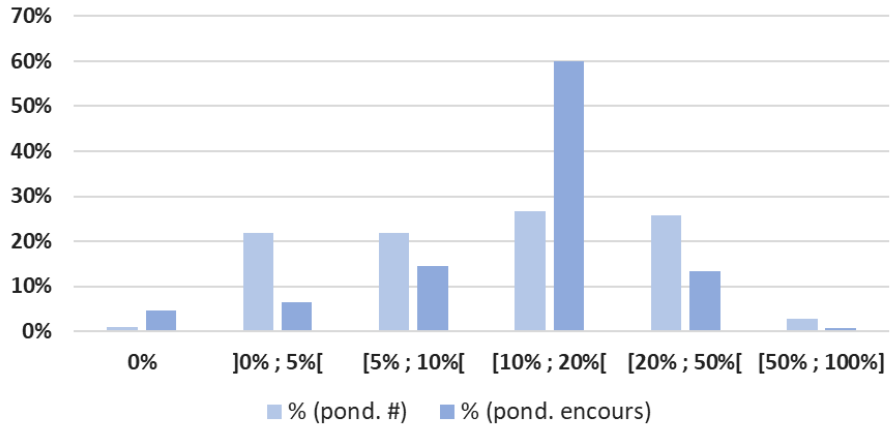
In terms of results, the average eligibility figures are consistent between insurers and asset management companies (13-15%), and slightly up on last year (from 11.5-13% to 13.4%-14.1%), although this variation is not very significant given the uncertainties relating to data quality.

These average amounts mask significant disparities, as shown by the focus on insurers and asset management companies respectively below. The analyses carried out consist of (i) a breakdown of eligibility by class and (ii) a more detailed analysis based on the sub-population of submitters in table 2, which is the most detailed, in order to gain a better understanding of the composition of the portfolio. Lastly, the breakdown by type of asset management company is analysed.

[36] Some financial institutions, in particular insurers, may have made literary submissions or inhomogeneous submissions (amounts instead of % requested), which may have been restated manually or considered as "not communicated".
[37] The percentage is calculated according to the number of submitters and not the number in the sample. For example, in a sample of 100, if 80 have submitted information and 10 have submitted 0, the percentage discounted to 0 will be 10/80 = 12.5%.

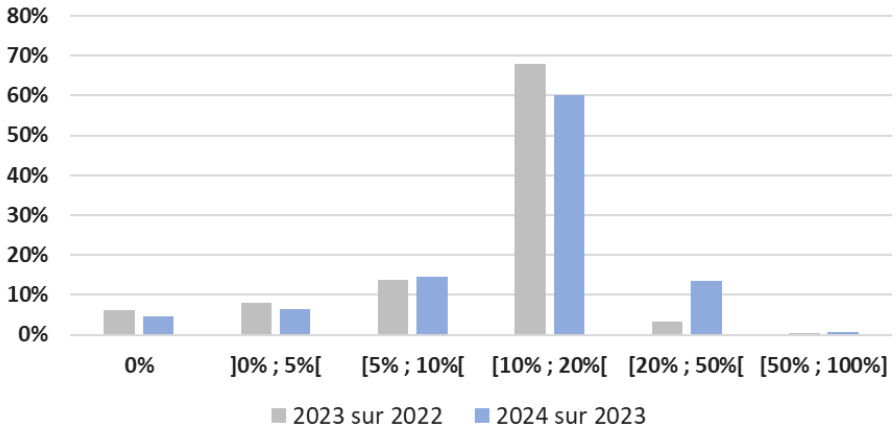
Focus on Insurers

The distribution of the declaration of taxonomically eligible shares across the population of insurers is represented by class as follows. The most extreme data (>50%) have been investigated manually to take account of any errors[38]



Graph 2: Taxonomic eligibility of insurers (over €500m; 2024 submission on 2023) - Classification by number of entities and assets under management

A comparison with the previous submission year is provided below.



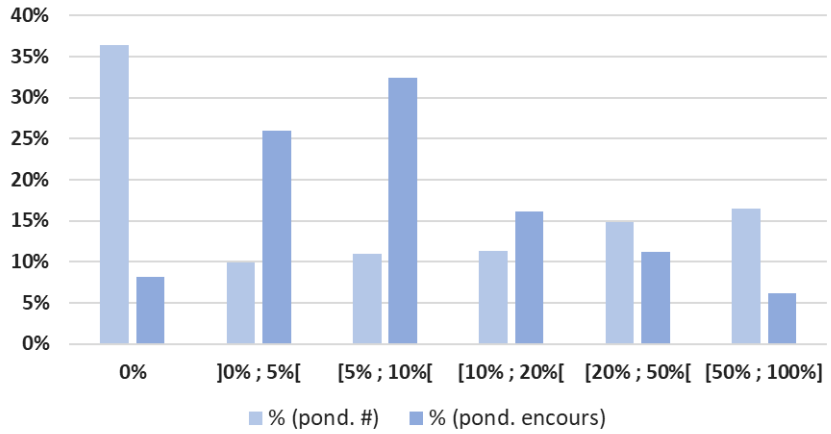
Graph 3: Taxonomic eligibility of insurers (over €500m) - Comparison of submissions 2024 - 2023

It has been observed that submissions are shifting slightly towards higher ratios: 12% of insurers representing 3% of assets under management declared a ratio in excess of 20% last year, whereas the figure is now 29% (14% in assets under mananement). The majority of assets, however, remain between 10% and 20% eligible: 60% for 2024 submissions for 2023, compared with 68% for the previous year.

[38] For example, percentage differences vs. percentage points, or unexplained differences between quantitative submissions and the 29 LEC ratio.

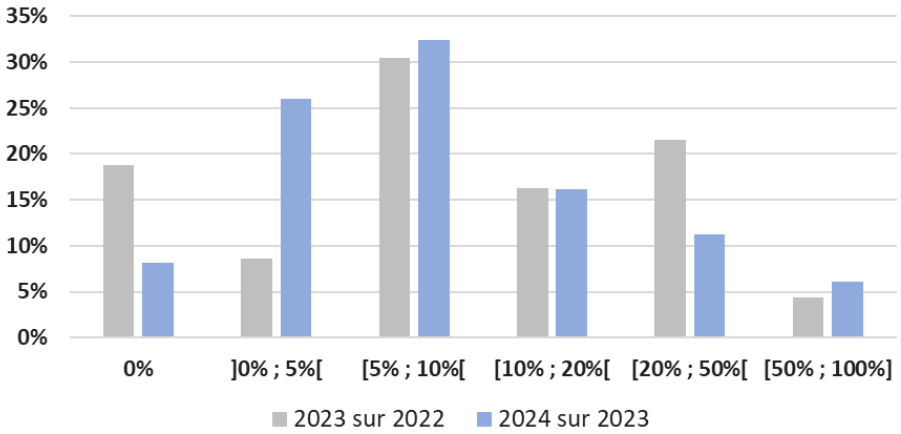
Focus on AM

The distribution of the declaration of taxonomically eligible share on the AM population is represented by classes as follows:



Graph 4: Taxonomic eligibility of AMs (over €500m; 2024 submission on 2023) - Classification by number of entities and asset under management

A comparison with the previous submission year is provided below.



Graph 5: Taxonomic eligibility of AMs (over €500m) - Comparison of submissions 2024 - 2023

The proportion of declarations at 0 is much higher than for insurers, but is down on last year (36% compared with 46% in number, and 8% compared with 19% in assets under management). The breakdown is then slightly different, with a greater presence of submissions with a high and a low percentage of eligibility. This may be linked to two effects:

- For extreme submissions:
  - The presence of AMs specialized in private equity, which focus on specific sectors and which may therefore have very low or very high taxonomical eligibility rates;
  - Real estate AM, which should a priori have an eligibility rate close to 100%, as the activity of holding real estate is provided for in the taxonomy, but where in practice there is a non-negligible 0 submission rate (see the specific analysis of real estate below);
- The overall breakdown is more heterogeneous for AMs than for insurers: in several cases, it has been observed that insurers rely on their *asset managers* to calculate the various extra-financial information, including the taxonomy. It would therefore be logical to observe a 'dilution' effect between the generalist

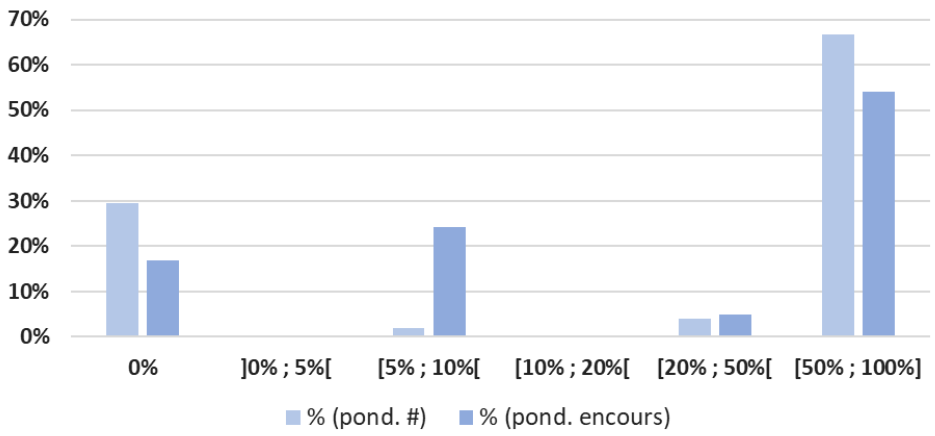
asset manager and the insurer who entrusts him with a fraction of its assets. For example, no analysis would be carried out on the proportion of assets held and managed directly by the insurer. This area, which is often made up of specific asset classes (property, strategic assets, etc.), is also less likely to be eligible for the taxonomy.

An analysis by type of AMs has been carried out. The previous edition of this report listed 26 multi-activity asset management companies, accounting for 10% of the total number and 30% of the assets under management. These were excluded from the breakdown by type of AM. This year, the unique categorisation provided for in AMF reporting meant that none were excluded. The table above therefore reflects the full sample of 295 AMs with balance sheets or assets under management of more than €500m. It should be noted, however, that some rates reflect a mix of activities involving listed assets, private equity and real estate, for example.

The results are as follows:

Category	**GEN**	**PE**	**RE**	**OTH**	**Total**
Total AMs > €500m	129	93	52	21	295
Publication information (#)	128	91	52	20	291
% share	*99%*	*98%*	*100%*	*95%*	*99%*
% assets under management	***100%***	***98%***	***100%***	***82%***	***96%***
Of which number of submissions at 0	24	61	15	6	106
% share	*19%*	*67%*	*29%*	*30%*	*36%*
% assets under management	*3%*	*40%*	*17%*	*16%*	*8%*
Average % (weight. #)	12,4%	12,7%	64,7%	15,3%	22,1%
Average % excluding 0 (weight. #)	15,3%	38,6%	91,0%	21,9%	34,7%
Average % (weighted by assets under management)	**11,1%**	**13,0%**	**56,0%**	**9,4%**	**13,4%**
Average % excl. 0 (weighted by *assets under management*)	11,4%	21,7%	67,4%	11,1%	14,6%

On average, real estate AMs have much higher eligibility rates than other types of AMs (56% in terms of ***assets under management***, including submissions to 0, compared with 13.4% for all management companies). Similarly, but to a lesser extent, the average submission rate for private equity companies excluding 0 is high (39% in terms of ***assets under management*** vs. 15% for generalists). In contrast, for these two specialized classes, submission rates to 0 are higher, particularly for private equity (67% vs. 29% for real estate and 19% for generalists). A closer look was taken at real estate AMs with more than €500m in assets under management:



Graph 6: Taxonomic eligibility of real estate AMs (over €500m; submissions 2024 over 2023) - Classification by number of entities and by assets under management

Of the 52 AMs concerned, 15 declared a rate of 0%, and 31 a rate of over 85%, including 19 a rate of 100%. The latter approach is consistent with a reading of the Delegated Regulation that would make the AM a "classic" company that measures the eligibility rate of its activities by recognizing eligibility via activity 7.7 "Acquisition and ownership of buildings".
After analysing a number of 29 LEC reports from companies submitted 0%, no specific reasons for the 0% submissions were identified: some AMs report 0% without giving any explanation, while others indicate qualitatively that their assets are eligible but not aligned, which is inconsistent with their standardised submission. The most likely hypothesis for this situation is therefore a significant rate of erroneous 0% submissions.
Another, less likely, hypothesis would be based on a very down-to-earth reading of the taxonomy, in which the asset management company would be considered as a financial institution and not as a "classic" company. As such, it would have to increase the weighted tax rates of the assets in its portfolio and not carry out an analysis of its own activity. As a result, since a building has no activity in itself (it does not own itself), its eligibility rate would be 0%. This interpretation, which does not apply to the taxonomy, has not been observed in practice.

3.2.3.2. Taxonomic alignment

For the first time this year, the provision of taxonomic alignment information was compulsory, for both turnover and capital expenditure (CAPEX) indicators. Last year, this information was optional; 29% of respondents, representing 15% of assets under management, had nevertheless reported it, but 59% of submissions were "0 submissions", the vast majority of which came from asset management companies. The information provided is based on the concatenation of financial institutions' C.2 and C.3 submissions. In addition to the risk of confusion between submissions in points and in percentages, various biases described in the focus groups required corrections following manual checks on the most extreme values. For example, some entities were able to report a ratio based solely on eligible positions, which biased the result (see focus). Aware of these limitations, the results observed are as follows. Please note that the statistics only cover entities that declared that they exceeded the €500m threshold.

Only one insurer published a zero ratio and 14.2% of them did not publish a ratio. Almost all asset management companies published a taxonomic alignment ratio, but 54.6% of them published a zero ratio. This is particularly true of smaller asset management companies, which account for 15.5% of assets under management. Weighted by assets under management, the alignment ratios reported by asset management companies are higher than those reported by insurers: 4.1% and 2.6% respectively. This gap widens if only non-zero ratios are taken into account: 4.9% for asset management companies compared with 2.6% for insurers.

% Taxonomically aligned – turnover	**Insurance**	**AM**	**Total**
Publication information (#)	97	282	379
% share	*85,8%*	*95,6%*	*92,9%*
% assets under management	***84,9%***	***93,1%***	***90,5%***
Of which number of submissions at 0	1	154	155
% share	*1,0%*	*54,6%*	*39,8%*
% assets under management	*0,1%*	*15,5%*	*10,6%*
Average % (weight #)	5,8%	3,1%	*3,9%*
Average % excluding 0 (weight #)	5,9%	6,9%	*6,6%*
Average % (weighted by assets under management)	**2,6%**	**4,1%**	***3,6%***
Average % excl. 0 (weighted by assets under management)	2,6%	4,9%	*4,2%*

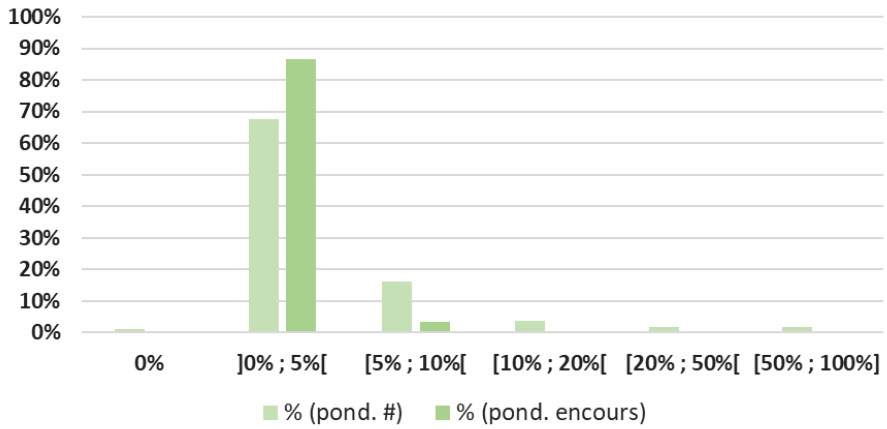
Given the difficulties in collecting the data, it cannot be ruled out that, for this metric, some of the submissions set at 0 are "true" 0% submissions set due to a lack of information.

Although this information should be treated with great caution, given the change in scope and the overall quality of the data, it should be noted that the ratios increased compared with the previous year. On average, excluding 0, they were 0.5% for insurers (5.9% here) and 4.8% for AMs (6.9% here).

The CAPEX indicator is analyzed in the focuses below.

Focus on insurers' turnover alignment ratios

The vast majority of insurers (73%) reporting an alignment ratio are between 0 and 5%. A minority, representing 16% of insurers and 3% of *assets under management*, report a taxonomic alignment ratio of between 5 and 10%.



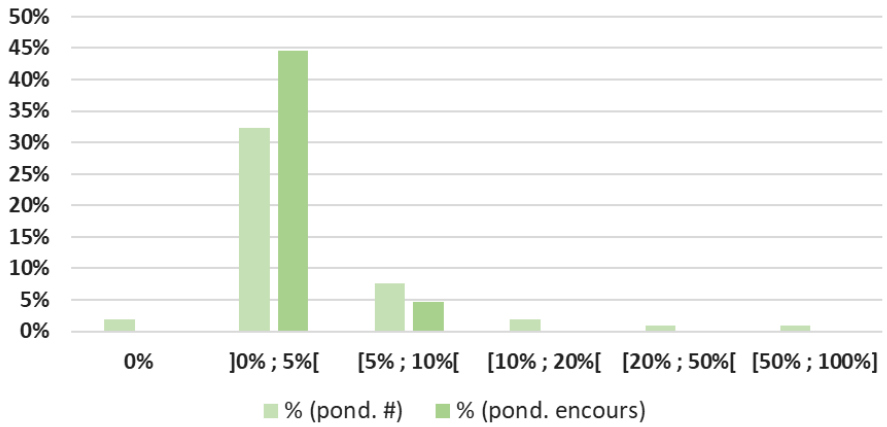
Graph 7: Taxonomic alignment of insurers' turnover (over €500m; 2024 submission on 2023) - Classification by number of entities and assets under management

Although this information has become compulsory and the vast majority of insurers have provided it, an individual analysis of a sample of submitters, particularly at the extremes of the spectrum, reveals the same findings as last year, namely: (i) discrepancies in information between the literary report and the standardised submissions, (ii) a blurring between calculations that are purely regulatory and those that are voluntary/estimated, and (iii) an overall lack of explanation of the amounts reported and their interpretability.

These findings are all the more characteristic for the rates reported for CAPEX alignment: 58% of insurers representing 53% of assets under management do not provide this information. As with turnover, almost all submissions are between 0 and 5%, and at the margin between 5 and 10%. However, 4 insurers representing 0.3% of assets under management declare CAPEX alignment rates of 15.8%, 19.4%, 20.2% and 79.4%. For none of these insurers could the information be found in the public 29 LEC report - only CA alignment was mentioned. It would appear that, in their standardised submissions to supervisors, their data points for taxonomic ratios do not suffer from any anomalies - the most common being confusion between percentages and decimal numbers. Their turnover alignment ratios are 8.3%, 11.0%, 15.6% and 35.8% respectively. It is not possible to interpret these high ratios at this stage.

Furthermore, the way in which submissions are expressed varies considerably. Some insurers report rates in percentages, others in percentage points. Sometimes the rate reported is calculated on the share of assets eligible in the denominator, which apparently increases the alignment ratios reported. A manual check on rates above 10% led to a correction in almost all cases. Even more problematic is the fact that an entity sometimes reports figures in its response to the supervisors' questionnaire that are not included in the public 29 LEC report. - The turnover alignment ratios are fairly consistent between the data sent to the supervisors and the public 29 LEC reports.

The CAPEX taxonomy ratios and the breakdown between the six Taxonomy objectives cannot be interpreted at this stage.



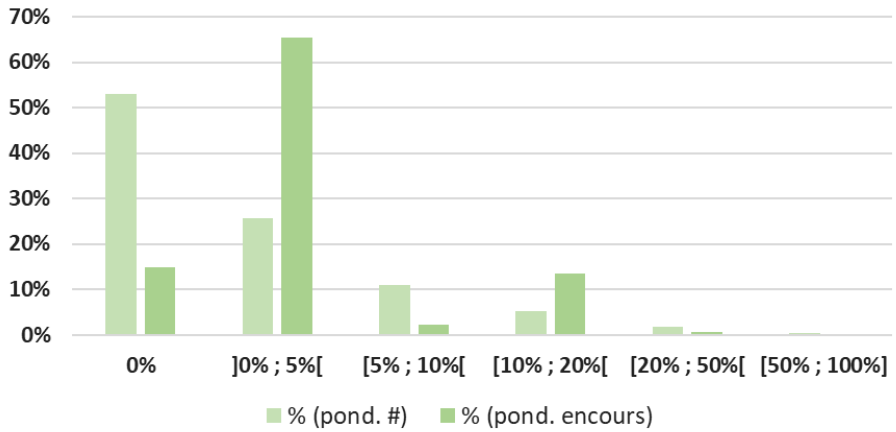
Graph 8: Taxonomical alignment of insurers' CAPEX (over €500m; 2024 submission on 2023) - Classification by number of entities and assets under management

Focus on AM's turnover alignment ratios

The data had to be corrected before it could be aggregated for statistical purposes. Of the 295 AMs with balance sheets in excess of €500m, 25 declared a taxonomic alignment rate (turnover) in excess of 20%, i.e. 8.5% of the population. Of these 25 AM, 20 had their eligibility and alignment rates corrected manually. In addition, 14 had reported an alignment rate higher than their eligibility rate - which suggests that the denominator of their alignment rate is not total assets but eligible assets.

Some anomalies stand out: one AM declared an alignment rate of over 30% whereas its declared eligibility rate was zero; some manual corrections reduced alignment rates from over 80% to less than 1%; one AM reported eligibility and alignment rates of over 30% and 20% respectively, while in its public 29 LEC report, it stated that it was unable to assess its level of alignment due to a lack of exhaustive data; one AM reported an alignment rate of 100%, but indicated in its public 29 LEC report that the calculation only concerned one of its funds, which was specifically an energy transition fund. Lastly, in 8 of the 25 cases, rates are reported while the public 29 LEC report contains no information on the taxonomic ratios, including one asset management company whose assets under management exceed €100 billion, which justifies this absence in the 29 LEC report by citing calculation difficulties.

Against this backdrop, the results obtained should be viewed with caution. Overall, more than half the AM report a zero rate of alignment, while more than 60% of assets are reported to be aligned between 0 and 5%.



Graph 9: Taxonomic alignment of AMs turnover (over €500m; 2024 submission on 2023) - Classification by number of entities and assets under management

The turnover alignment ratios for each type of AMs are as follows. They range from 3.0 to 4.4%

Category	GEN	PE	RE	OTH	Total
Total AMs > €500m	129	93	52	21	295
Publication information (#)	125	87	51	19	282
% share	*97%*	*94%*	*98%*	*90%*	*96%*
% assets under management	***99%***	***96%***	***99%***	***68%***	***93%***
Of which number of submissions at 0	38	70	36	10	154
% share	*30%*	*80%*	*71%*	*53%*	*55%*
% assets under management	*7%*	*45%*	*58%*	*29%*	*15%*
Average % (weight #)	3,0%	1,3%	5,6%	5,6%	3,1%
Average % excluding 0 (weight #)	4,4%	6,6%	19,1%	11,9%	6,9%
Average % (weighted by assets under management)	**4,4%**	**3,8%**	**4,6%**	**3,0%**	**4,1%**
Average % excl. 0 (weighted by assets under management)	4,7%	7,0%	10,9%	4,2%	4,9%

Although the eligibility ratios of real estate AMs differ, their alignment ratios are relatively similar to those of other types of AM: the majority of entities report a zero ratio and the majority of assets under management amounts are between 0 and 5%. It should be pointed out that the taxonomical delegated regulation is essentially adapted to buildings that are already low-carbon rather than in transition, whereas the majority of the building stock has renovation needs.

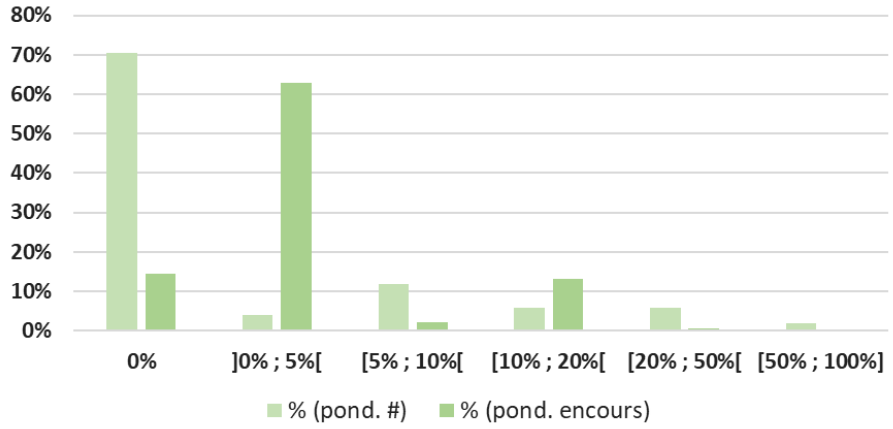


Figure 10: Taxonomic alignment of <u>real estate AMs</u> (over €500m; 2024 submission on 2023) - Classification by number of entities and assets under management

Focus on the taxonomic composition of portfolios (appendices C.2)

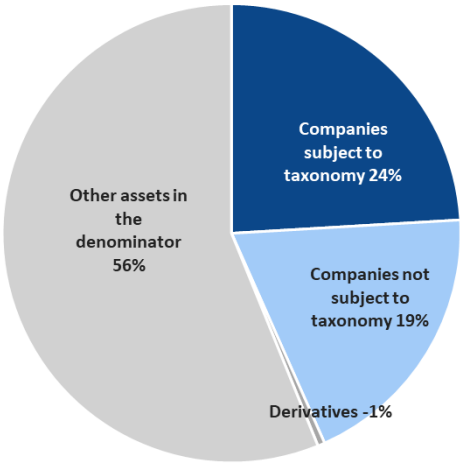
The submission table C.2, to which insurers subject to both Article 29 LEC and Article 8 of the SFDR Delegated Regulation are subject, presents the most detailed information on the taxonomical numerator and denominator. In particular, information in euros is required, which makes it possible to resolve the problems of reporting format in percentages or percentage points. It was therefore decided to carry out an analysis focusing on this statement.

An analysis of the aggregate portfolios of insurers and generalist AMs was therefore carried out. A specific analysis was carried out for insurers providing additional information on nuclear and gas exposures.

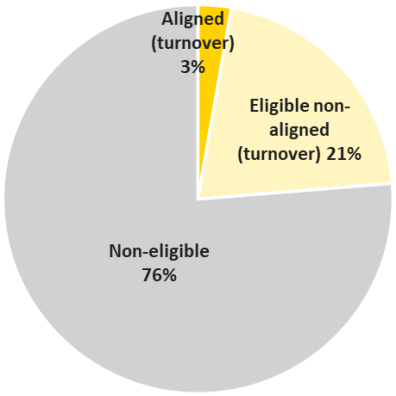
<u>The aggregate portfolio of insurers</u>

There were 80 insurer submissions[39] representing 51% of assets under management and 71% of the number of entities with assets under management in excess of €500m. Their aggregate portfolio has been reconstituted below.

It should be noted that, according to the taxonomy publication rules (cf. Art. 7 RD 2021/2178), sovereign exposures are excluded from both the numerator and denominator of taxonomy calculations, and are therefore not included in the positions.



Graph 11: Aggregate breakdown of insurers' portfolios - Denominator C.2



Graph 12: Aggregate breakdown of insurers' portfolios - Eligibility

The main findings are presented below. They should be seen in the context of the limitations associated with the exercise detailed below.

- The aggregate alignment rate based on turnover is in the same range as that observed above, with the uncertainties associated with data quality.
- This rate should be seen in the context of the fact that the taxonomic analysis **relates in practice to only a limited fraction of the portfolio**.
- In fact, most of the positions in the denominator are held by "other assets" (57%) - whose composition is uncertain but which are probably not subject to much taxonomic analysis (see below) - as well as by companies not subject to taxonomic reporting, which account for barely less than companies subject to reporting (19% compared with 24%).
- In addition, for positions subject to taxonomic reporting, the eligibility analysis presented in the graph on the right highlights the high rate of non-eligibility, i.e. activities not currently covered by the taxonomy (76%). If we summarise the alignment analysis *stricto sensu* (ratio between alignment at 3% and eligibility at 21%), however, we find a rate of 12%.

In more detail, the aggregate figures reported are as follows. The proportions differ slightly (particularly on alignment) due to residual uncertainties on the internal consistency of the file, as explained below the tables.

[39] Not all insurers submitted all the datapoints. Nevertheless, it was considered that overall the biases offset each other. The status "Submitted" in the field requested by the ACPR in this appendix was taken into account when calculating these statistics.

Numerator	Exposure category	Amount (M€)	%	Comment
Numerator assets	Turnover alignment	8 811	2,2%	The rate differs from the graph above because the base here is the regulatory base and not the total assets subject to tax reporting.
	CAPEX alignment	15 662	3,9%	
Coverage indicator	ICP coverage	401 577		Difference with total denominator below.

Denominator	Exposure category	Amount (M€)	%	Comment
Denominator	Companies subject to taxonomy	116 865	24,3%	
	of which non-financial	69 118	14,4%	
	of which financial	47 747	9,9%	
	Companies not subject to the taxonomy	93 576	19,5%	See comments below on the exposure to EU companies not subject to tax reporting.
	of which EU (proxy)	32 089	6,7%	
	of which non-financial	16 677	3,5%	
	of which financial	15 412	3,2%	
	of which non-EU countries	61 487	12,8%	
	of which non-financial	39 752	8,3%	
	of which financial	21 736	4,5%	
	Derivatives	-2 430	-0,5%	
	Other assets in the denominator	272 588	56,7%	See below for the presumed composition of this line.
	Total	480 599		In contrast to the ICP coverage mentioned above.

Non-eligible assets	243 199	51%
Non-aligned eligible assets	66 742	14%

These tables call for a number of comments:

- The rate of CAPEX alignment is almost twice as high as that of turnover (3.9% vs. 2.2%, a trend that is mirrored on the AM side). However, we should not immediately deduce that the underlying companies are investing significantly more in the transition. In fact, there are several types of CAPEX that can qualify for alignment (CAPEX relating to: a) activities that are already aligned, b) a plan to develop aligned activities or align existing eligible activities, and c) expenditure relating to "individual measures", typically the insulation of a company's buildings[40]). However, according to an AMF report[41] , type b CAPEX, which are the most relevant to the needs of the transition, are in practice only rarely mentioned .[42]

[40] See Annex I 1.1.2.2 of RD 2021/2178.

[41] November 2023 AMF report on taxonomy submissions for non-financial companies

[42] "The two types of CapEx most frequently identified by the companies in the sample concern type a) CapEx, i.e. capital expenditure incurred on activities already aligned, and type c) CapEx relating to individual expenditure. Few companies communicated on CapEx plans (type b)

- Most of the positions are in "other assets". It should be noted that the definition set out in Annex IX of RD 2021/2178 is quite broad[43] . However, there is uncertainty about the precise reporting rules.
    - Indirect investments (e.g. via funds) potentially represent a very large proportion of investments. In principle, a taxonomic analysis of these assets is required. However, the way in which they are treated in this reporting could vary: either they are taken into account "transparently" in the company's exposures (which seems the most relevant in terms of analysis), or they are taken into account in the "other assets" line[44] ;
    - In addition, some financial institutions have chosen to include in this category all exposures to companies subject to taxonomic reporting obligations, but for which the information is not available or has not been collected;
    - They may also include real estate portfolios held directly by the Group or cash. More uncertainly, items such as receivables and miscellaneous assets, or sovereign positions that would normally be excluded, may have been reported.
- With regard to exposures to companies not covered by the taxonomy, the wording of the cells could lead to confusion. For example, while article 7 of RD 2021/2178 shows that a distinction is to be made between exposures in the European Union and third countries, the wording of the fields concerning European exposures does not include the word "EU", which may have misled some submitters. Nevertheless, it was considered that most players reported in the first line only on EU companies not subject to taxonomic reporting requirements. This type of exposure may have been slightly overestimated due to the imprecise wording of the field.
- *A priori,* the proportion of non-eligible assets should relate only to those for which taxonomic information is required by regulation. However, it is not impossible that some players have chosen to include all assets in the denominator, which would have the effect of overestimating the amounts. Furthermore, some players may have excluded from this line assets for which taxonomic information should have been available but was not provided (not collected by the financial institution, not produced by the company). This would have the effect of underestimating the amounts.
- It is not specified to which underlying indicator (turnover or CAPEX) the "eligible unaligned" line relates. It is assumed that most financial institutions considered this to be turnover. Using this approximation, and taking the sum of aligned turnover (€8.8bn) and eligible non-aligned (€66.7bn) to the amount of coverage stated above (€401bn), we arrive at an eligibility rate of 19%, within the orders of magnitude of the study carried out above.

Finally, it should be noted that the portfolios are significantly exposed to financial companies (around 40% of the overall portfolio of companies described above). These financial companies, when subject to taxonomic reporting, are subject to the same rate dilution effects presented, and potentially to the same data collection difficulties as those highlighted by the AMF report.

AM aggregate portfolio

Aggregate portfolios

As in the case of insurers, an analysis was carried out on C.2 submissions from asset management companies. Although nearly 50 asset management companies of various types reported information (see below), the analysis focused on the generalists, firstly because they have the most assets under management and secondly because real estate and private equity submissions show a number of anomalies, which are detailed at the end of this section.

and, in this case, not all the required contextual information was provided by the companies concerned. This point highlights the significant room for improvement in the use and identification of the CapEx plan, in a context marked by increasing needs for transition towards sustainable activities."

[43] "Investments" means all direct and indirect investments, including investments in collective investment undertakings, shareholdings, loans and mortgages, tangible assets and, where applicable, intangible assets.

[44] There is therefore some uncertainty as to whether a greater or lesser proportion of this asset class can be used in the eligibility analysis. Exposures to companies subject to reporting would not therefore be the only source of eligible and aligned positions.

Submissions C.2[45]	GEN	PE	RE	OTH	Total
# submitters	24	11	8	5	48
Assets under management	1 515 476	69 121	105 946	46 365	1 736 908
% total #	18,6%	11,8%	15,4%	23,8%	16,3%
Total Assets under management	47,5%	21,1%	43,7%	5,1%	37,2%

The following aggregate portfolio has been reconstituted:

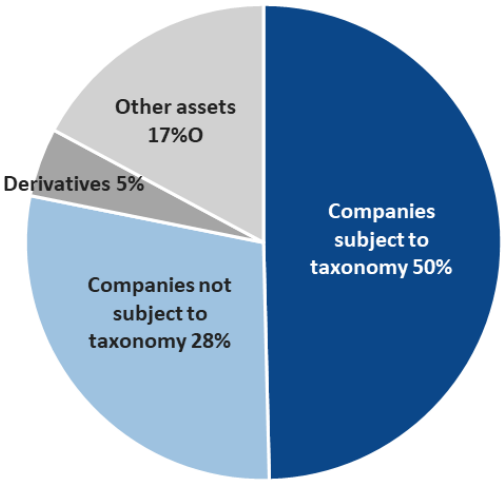


Figure 13: Aggregate breakdown of the portfolio of generalist AMs - Denominator

Unlike insurers, the analysis is not broken down into non-eligible, eligible non-aligned and aligned because the figures obtained are inconsistent: 5 AM, including 2 leading ones, provided alignment information but not the denominator details.

It should be noted that, according to the taxonomy publication rules (cf. Art. 7 RD 2021/2178), sovereign exposures are excluded from both the numerator and denominator of taxonomy calculations, and are therefore not included in the positions.

The main findings are presented below. They should be seen in the context of the limitations associated with the exercise detailed below.

- 50% of the positions in the denominator relate to companies for which a taxonomic analysis has been carried out (compared with half as many for insurers).
- The exposure of non-taxonomy companies is broadly similar to that of insurers (28% compared with 19% for insurers, but the figure is probably higher for asset management companies than for insurers, see *below*).
- Other" exposures represent "only" 17% compared with 57% for insurers, which is probably due to the fact that the portfolio of generalist asset management companies is more concentrated on "traditional" direct investments than that of insurers.
- Derivatives account for a small but significant share (4.7% compared with -0.5% for insurers). AMs use derivatives for a variety of purposes, including synthetic investment techniques, whereas insurers use these products mainly for hedging purposes, particularly against interest rate fluctuations.

In more detail, the aggregate figures reported are as follows. There is some uncertainty as to their internal consistency, as explained below the tables.

[45] As not all the AM submitted all the datapoints, the AM for which at least the coverage datapoint of the alignment ICP was filled in were considered as "submitters".

Numerator	Exposure category	Amount (€M)	%	Comment
Numerator assets	turnover alignment	32 435	5,6%	Rate broadly comparable to the rate obtained using ratios on all submissions
	CAPEX alignment	46 232	8,0%	
Coverage indicator	ICP coverage	580 826		Difference both with the total denominator below and with a recomposition Aligned + Eligible Non-Aligned + Non-Eligible

Denominator	Exposure category	Amount (€M)	%	Comment
Denominator	Companies subject to taxonomy	443 507	49,6%	
	of which non-financial	335 032	37,5%	
	of which financial	108 474	12,1%	
	Companies not subject to the taxonomy	255 094	28,5%	See comment under the table in the Insurers focus on EU exposures, which are potentially overestimated.
	of which EU (proxy)	84 477	9,5%	
	of which non-financial	37 732	4,2%	
	of which financial	46 745	5,2%	
	of which non-EU countries	170 617	19,1%	
	of which non-financial	126 927	14,2%	
	of which financial	43 690	4,9%	
	Derivatives	41 824	4,7%	
	Other assets	153 436	17,2%	All other assets except sovereign assets, in particular own real estate. Some players may have placed cash/money market funds or non-transparent funds (if they manage funds of funds) in this line, even though in principle the RD 2021/2178 requires them to be taken into account.
	Total	893 859		Significantly different from the ICP coverage mentioned above

Non-eligible assets	499 409	56%	
Non-aligned eligible assets	29 250	3%	Very low, due to several AM, including 2 major ones, failing to fill in.

These tables call for a number of comments:

- As in the case of insurers, the CAPEX taxonomic alignment rate is significantly higher than the turnover rate (8% compared with 5.6%). However, analysis of this discrepancy leads to the same warnings: there may be a methodological bias between the two indicators.
- With regard to "other assets", it should be noted that the definition set out in Annex III of RD 2021/2178 is restricted to assets under management, unlike those of insurers, where it may extend to tangible and intangible assets. However, there is uncertainty about the precise reporting rules.

- Indirect investments (e.g. in money market funds or when the asset management company manages a fund of funds) potentially represent a non-negligible proportion of investments (open-ended funds generally set limits of 10% to 20% of assets in other funds). In principle, a taxonomic analysis of these assets is required. However, the way in which they are treated in this reporting may vary: either they are taken into account "by transparency" in the corporate exposures (which seems the most relevant in terms of analysis), or they are taken into account in the "other assets" line[46] ;
- In addition, some financial institutions have chosen to include in this category all exposures to companies subject to taxonomic reporting obligations, but for which the information is not available or has not been collected (exposure to other funds or held directly);
- This may also include real estate assets or cash. More uncertainly, items such as sovereign positions, which would normally be excluded, have been reported .[47]

- The proportion of non-eligible assets should *a priori* relate only to assets for which taxonomic information is required by regulation. However, it is possible that some players have chosen to include all assets in the denominator, which would have the effect of overestimating the amounts. Furthermore, some players may have excluded from this line assets for which taxonomic information should have been available but was not provided (not collected by the financial institution, not produced by the company). This would have the effect of underestimating the amounts.
- It is not specified which underlying indicator (turnover or CAPEX) the "eligible non-aligned" line refers to. It is assumed that most financial institutions considered this to be the AC, as shown by the analysis of declarations presented in section 3.2.3.1. However, it does not appear relevant to reconstitute an eligibility rate from this information, as some players failed to provide this data.

Finally, as in the case of insurers, the portfolios are significantly exposed to financial companies (29% of the overall portfolio of companies described above, compared with 40% for insurers). These financial companies, when subject to taxonomic reporting, are subject to the same rate dilution effects presented here, and potentially to the same data collection difficulties as those highlighted by the AMF report.

The reporting of 11 private equity funds was not taken into account. In fact, the aggregate amount of alignment exceeded the underlying amount covered, which shows that a significant proportion of the AMs did not enter the data, or did not enter it correctly.

It is interesting to note that none of the real estate AMs (8 submissions observed) reported any positions other than derivatives in the denominator. Thus, these asset management companies seem to have considered that real estate positions did not need to be reported, including in the "other assets" line.

Taxonomic exposure to nuclear and gas (Insurers)

The ACPR asked insurers for detailed information on exposures to the nuclear and gas sectors, which are included in the taxonomy after the other sectors of activity, as part of the C.2 submission[48] . The aggregated responses from the forty or so insurers who provided this information are presented here.

[46] There is therefore some uncertainty as to whether a greater or lower proportion of this pool of assets can be used in the eligibility analysis.
[47] Indeed, 2 f) of Annex III of RD 2021/2178 states that: "For the purposes of disclosing information pursuant to Article 8(1) of Regulation (EU) 2020/852, asset managers shall: [...] f) disclose the proportion, of total investments, of investments in exposures referred to in Article 7(1) of this Regulation [sovereign exposures];'". In the absence of a specific box provided for this purpose, some asset managers could therefore have placed these exposures here, even though the information is otherwise requested in C.1 in the form of a %.
[48] Sectors introduced by Delegated Regulation (EU) 2022/1244.

Nuclear energy activities	
The company carries out, finances or is exposed to research, development, demonstration and deployment of innovative installations for the production of electricity from nuclear processes with a minimum of waste from the fuel cycle (4.26)	73%
The undertaking carries on, finances or is exposed to activities relating to the construction and safe operation of new nuclear installations for the production of electricity or process heat, in particular for district heating purposes or for industrial processes such as the production of hydrogen, including their safety upgrades, using the best available technology. (4. 27)	85%
The undertaking carries on, finances or is exposed to the safe operation of existing nuclear installations for the production of electricity or process heat, in particular for district heating purposes or for industrial processes such as the production of hydrogen, using nuclear energy, including their safety upgrades (4.28).	85%
Fossil gas activities	
The company engages in, finances or is exposed to the construction or operation of facilities for the production of electricity from gaseous fossil fuels (4.29).	85%
The company engages in, finances or is exposed to the construction, refurbishment and operation of combined heat/cooling and electricity production facilities using gaseous fossil fuels (4.30).	83%
The company engages in, finances or is exposed to the construction, refurbishment or operation of heat production facilities that produce heat/cooling from gaseous fossil fuels (4.31).	76%

Economic activities	Aligned (€m)	Eligible non-aligned (m€)	Non-eligible (m€)	Total (€m)	% Aligned	% Eligible	Relative weight
4.26 Advanced technologies - nuclear	0	0	6	6	0,0%	0,0%	0,2%
4.27 New nuclear power plants using the best available technology	13	1	96	110	12,0%	13,0%	4,3%
4.28 Electricity generation - nuclear	487	98	1 216	1 801	27,1%	32,5%	70,8%
4.29 Electricity generation - gas	0	178	64	242	0,0%	73,6%	9,5%
4.30 Cogeneration of heat/cold and electricity - gas	0	247	100	347	0,0%	71,2%	13,6%
4.31 Heat/cold production - gas	0	23	15	38	0,1%	61,7%	1,5%
Total (€m)	501	548	1 496	2 545	19,7%	41,2%	100%
% / total taxonomic reporting	5,7%	0,8%	0,6%	0,8%			

The following points should be highlighted:

- Most players say they are exposed to the gas and nuclear activities mentioned in the taxonomy (between 73% and 85% out of around 40 insurers).
- The main activity covered is nuclear power generation (71%), which accounts for almost all of the assets under management in these sectors (487me out of €501m). This is followed by co-generation of electricity and heating/cooling (14%) and electricity generation alone (10%).
- Although 73% of the 40 respondents indicated that they were exposed to activity 4.26 (advanced technologies), only €6m of assets under management were identified, all of which were classed as "non-eligible".

- The gas and nuclear exposures covered by the taxonomy represent less than 1% of total exposure. However, they represent more than 5% of aligned exposures. In practice, no aligned exposure to gas has been identified.

- The eligibility rate for activities is relatively higher than average: 41% compared with 24% for a comparable metric. The alignment rate is also significantly higher: 20% compared with 3% for comparable metrics (see above).

3.2.3.3. Improvement plans

Both the ACPR and AMF models asked participants to indicate whether taxonomic information was present and, if not, to provide explanations and indicate the improvement plan envisaged to provide the information.

A statistical analysis of these improvement plans was carried out. The results are presented below. The statistics have been compiled only for entities declaring that they exceed the €500m threshold.

Presence of taxonomic information	**Insurance**			**AM**		
	#	% (#)	weight %.	#	% (#)	weight %.
Information available	109	96%	97%	217	74%	65%
of which no location info	0	0%	0%	0	0%	0%
Information missing- explanations provided	2	2%	3%	0	0%	0%
Irrelevant information	0	0%	0%	0	0%	0%
Internal resource problems	0	0%	0%	0	0%	0%
Lack of data	2	2%	3%	0	0%	0%
Other	0	0%	0%	0	0%	0%
NC	2	2%	0%	78	26%	35%

The template referred to the information required by the Decree, i.e. the "*share of assets under management relating to activities in compliance with the technical review criteria defined in the delegated acts* [of the taxonomy]", without specifying whether reference was made to eligibility, alignment or both.

3.3. Fossil fuels

3.3.1. Summary

The purpose of disclosing the proportion of assets invested in companies active in the fossil fuel sector is to identify the financial players with the greatest exposure or the most likely to make a commitment/divestment, and to measure the "de-browning" of portfolios over time. It can also enable submitting financial institutions to show how they are integrating this indicator into their strategy.

As things stand**, it is still not possible to take a clear view of exposure levels**. Furthermore, qualitative analyses carried out on a sample, as well as manual checks, have not identified any cases where this indicator has been used for management purposes by the financial institution.

The uncertainty associated with exposure levels is due to a combination of the following factors:

- Differences in methodological approaches, with practices that do not comply with the definition set out in the SFDR regulations, such as the application of a principle of "transparisation" of positions[49] , the identification of companies solely on the basis of their NACE/GICS code (which gives their main activity only), or on the basis of exclusion lists such as GCEL. Secondly, aspects of temporality and tax bases are likely to cause disruption.
- Discrepancies in the format of submissions, despite supervisors' instructions to use a format expressed in percentage points. Uncertainties may remain and require manual checks ("0.05" meaning 5% or 0.05%?).

We can thus observe differences in the values observed with the PAI 4 indicator for players also subject to SFDR, even though the two submissions are supposed to be identical.

Ordinarily, despite the uncertainties mentioned above, the **average** share of assets in companies active in the fossil fuel sector **is between 5% and 10%**, stable compared with last year, with significant variations: the highest share recorded is around 20%, and it is possible that a significant number of players have underestimated their share in view of the factors mentioned above.

In terms of use, as indicated above, the indicator does not appear to be used for steering purposes. Instead, financial institutions tend to communicate according to the level of submission :

- If the submission is low (less than 1%), emphasise that this is thanks to the implementation of the exclusion policy;
- If the submission is high, do not comment, or point out that this is due to the very broad definition set out in the SFDR regulations, which will have been respected in this case.

Finally, in terms of compliance, it was found that the vast majority of players complied with the obligation to publish information in the appendices (88% in number). However, there were manual cases where the information was disclosed in the appendix submitted to the supervisor **but not in the published report**.

[49] Carry forward 10 instead of 100 for an investment of 100 in a company that is 10% active in the sector.

3.3.2. Context

III-5° of article D. 533-16-1 of the French Monetary and Financial Code requires the proportion of assets invested in companies active in the fossil fuel sector[50] . It is thus specified that it is **the supervised entities' entire investment in the company** that is targeted, regardless of its nature (green bonds, generic asset, etc.), regardless of the company's situation (with/without a transition plan deemed credible and robust by the supervised entity), and regardless of the company's actual share in the targeted sector (100%, 50%, 3%, etc.). It is therefore not possible to submission exposure "by transparency" or, in a similar way to the taxonomic share, to calculate a "gross share" of the company's activities in the portfolio.

The exposure information requested in the narrative report appears in two places in the ACPR / AMF submission:

- On the one hand, in the annex relating to the indicators specific to Art. 29 LEC
- And secondly, in appendix G on the mandatory indicators relating to the *principal adverse* impact (PAI) provided for by the SFDR regulations, which Art. 29 LEC is an extension of.

Unlike taxonomic alignment, there is no requirement to contextualise this information with a coverage rate, so the denominator covers all assets *a priori*.

The dual presence of Art. 29 LEC / PAI makes it possible to cover cases where an entity is subject to one submission but not the other (entity > €500m subject to Art. 29 LEC but not subject to SFDR on the one hand, entity not exceeding the €500m threshold but subject to submission of the PAI SFDR on the other). An entity subject to both obligations must submit the same information twice.

The ACPR and AMF appendices request details of exposure by type of fossil fuel: coal, conventional and non-conventional hydrocarbons. A focus on real estate assets is also requested for asset management companies.

In general, this area has been less closely monitored, given the detailed report produced by the AMF and ACPR on the subject .[51]

3.3.3. Teaching analysis

The quantitative analysis was carried out on Art. 29 LEC submissions alone. A dedicated gap analysis with PAI indicator 4 was also carried out.

The overall monitoring of the level of exposure to companies active in the fossil fuel industry is presented below. It should be noted that the statistics only cover entities that have declared that they exceed the €500m threshold, in order to avoid artificially high rates of non-delivery - it is not compulsory for the latter to provide this information.

The results for 2023 are therefore very similar to those for last year. Most reporting entities provide Art. 29 LEC information (via the Art. 29 LEC or PAI channel), with 95% providing information in terms of assets under management and 89% in terms of numbers. It should be noted, however, that banks are significantly below the submission rates of insurers and asset management companies (59% by number).

The number of submissions to 0 is significant. Compared with the statistics and activity thresholds used in the exclusion policies for coal and oil (see 3.4), it seems too high to be realistically a "true" 0 submission in all cases, especially as some reports point out that there are residual positions managed in extinction following the application of the exclusion policies. This pitfall mainly affects the smallest players (0 submission rate of 6.5% in assets under management).

[50] The definition of a company active in the fossil fuel sector is referred to the European SFDR regulation, cf. RD 2022/1288, Annex I - 5): "*"Fossil fuel companies" means companies which derive revenue from the exploration, mining, extraction, production, processing, storage, refining or distribution, including transport, storage and trading, of fossil fuels within the meaning of Article 2(62) of Regulation (EU) 2018/1999 of the European Parliament and of the Council (3);*"

[51] Monitoring and assessment of the climate commitments made by financial market participants, 4th joint ACPR/AMF report, June 2024

% fossil exposure	Insurance	AM	Banks	Total
Publication information (#)	109	262	20	391
% share	96,5%	88,8%	58,8%	88,5%
% assets under management	94,7%	95,3%	89,1%	95,0%
Of which number of submissions at 0	4	129	2	135
% share	3,7%	49,2%	10,0%	34,6%
% assets under management	0,5%	9,4%	3,8%	6,5%
Average % (weight #)	4,6%	2,8%	4,5%	3,4%
Average % excluding 0 (weight #)	4,8%	5,6%	5,0%	5,3%
Average % (weighted by assets under management)	**4,7%**	**6,3%**	**6,1%**	**5,8%**
Average % excl. 0 (weighted by assets under management)	4,8%	7,0%	6,3%	6,3%

Last year's results can be found here:

% fossil exposure	Insurance	AM	Banks	Total
Publication information (#)	100	229	18	347
% assets under management	***95,0%***	***93,2%***	***80,1%***	***93,6%***
Of which number of submissions at 0	4	107	3	114
Average % (**weighted by assets under management**)	**6,3%**	**5,9%**	**6,8%**	***6,1%***
Average % excl. 0 (weighted by assets under management)	6,4%	6,6%	8,0%	*6,5%*

In terms of level, the average weightings are fairly similar, between 5% and 7% excluding 0. The number of small entities giving 0 is higher than for large entities, all categories of player taken together.

Focus on insurers

As with the taxonomic share, a breakdown analysis was carried out. The results for insurers are as follows:

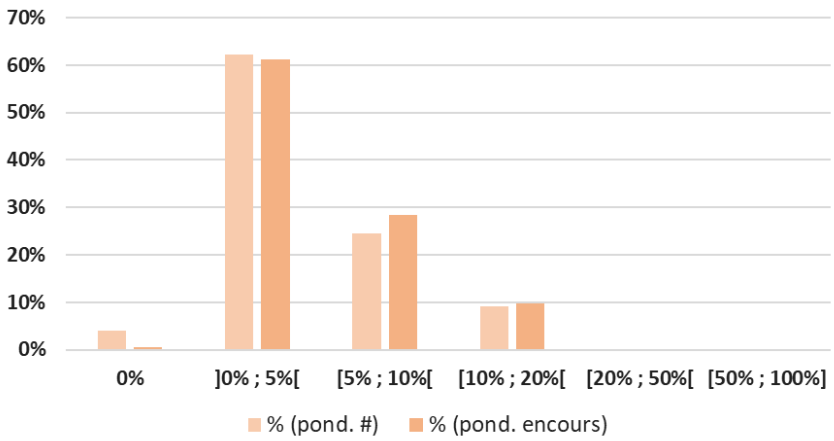


Figure 14: Fossil fuel exposure (29 LEC) of insurance companies (over €500m; submissions 2024) - Classification by number of entities and by assets under management

Most of the rates declared are between 0% and 10%. No rate is higher than 20% but, after manual verification, nine entities declare a rate higher than 10%. No specific comments or strategies were identified in relation to these rates, which all seem to correspond to scrupulous compliance with the SFDR definition of the indicator, which is not always the case for other, lower submissions.

Focus on AM

As with the taxonomic share, a breakdown analysis was carried out. The overall results for AMs are as follows:

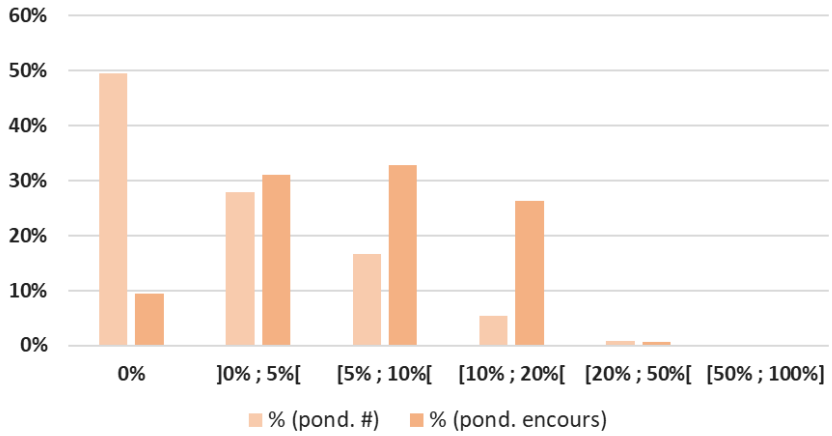


Figure 15: Fossil fuel exposure (29 LEC) of asset management companies (over €500m; submissions 2024) - Classification by number of entities and by assets under management

The number of entities submitting 0% is much higher than for insurers, but these are mainly small entities. Two submissions of over 20% were recorded, and 14 between 10% and 20%. A submission of 50% turned out to be an error and was manually corrected to 0%. One of the entities above 20% applies a passive management. The other claims that the managers are complying with "*their guidelines and fiduciary duties*", and points out that fossil fuels are not excluded from the investment universe, beyond companies whose turnover is more than 25% from coal, which is an empirically high rate compared with the exclusion policies usually observed (5, 10%, more rarely 20%).

A more detailed analysis by type of AMs was carried out, and is presented below.

Category[52]	**GEN**	**PE**	**RE**	**OTH**	**Total**
Publication information (#)	112	87	45	18	262
% share	*87%*	*94%*	*87%*	*86%*	*89%*
% assets under management	***99%***	***97%***	***97%***	***82%***	***95%***
Of which number of submissions at 0	15	66	41	7	129
% share	*13%*	*76%*	*91%*	*39%*	*49%*
% assets under management	*1%*	*36%*	*63%*	*17%*	*9%*
Average % (weight #)	4,9%	0,9%	0,7%	5,3%	2,8%
Average % excluding 0 (weight #)	5,6%	3,5%	7,4%	8,7%	5,6%
Average % (weighted by assets under management)	**7,2%**	**2,4%**	**3,7%**	**5,2%**	**6,3%**
Average % excl. 0 (weighted by assets under management)	7,2%	3,7%	10,0%	6,3%	7,0%

[52] GEN for generic, CI for private equity, IMM for real estate, AU for "Other" (e.g. securitisation). Some players did not provide information on their typology, which explains why the total is greater than the sum of the columns.

When the data was not available in the 29 LEC submission, the information was sometimes found in Appendix G (PAI SFDR).

Generalist and other asset management companies have higher average exposure rates. However, private equity and real estate players are particularly affected by submissions of 0. This can be explained by the specific features of their investment universe, but also by the fact that, since exposure is presumed to be insignificant, the submission has chosen to set 0 for simplicity's sake.

However, when a non-zero submission is applied, the value can be significant. For example, of the four property AMs that gave a non-zero submission, two were at 16% and 9% respectively. However, it has not been possible to find these figures in the Article 29 LEC reports of any of the players, nor has it been possible to provide any explanation on the subject.
This raises questions about the comparability of practices and measurements.

Variability study Art. 29 LEC vs. PAI 4

The fossil exposure data submitted under Art. 29 LEC and PAI 4 SFDR respectively, which are supposed to be identical, were compared for the population of AM. Given that many financial institutions do not comply with the definition set out in the SFDR regulations when calculating their LEC 29 submission, the purpose of this study is to see whether they comply with this definition when calculating their SFDR submission.

The result is as follows (on the x-axis the value delivered under PAI 4 SFDR, on the y-axis the value delivered under 29 LEC).

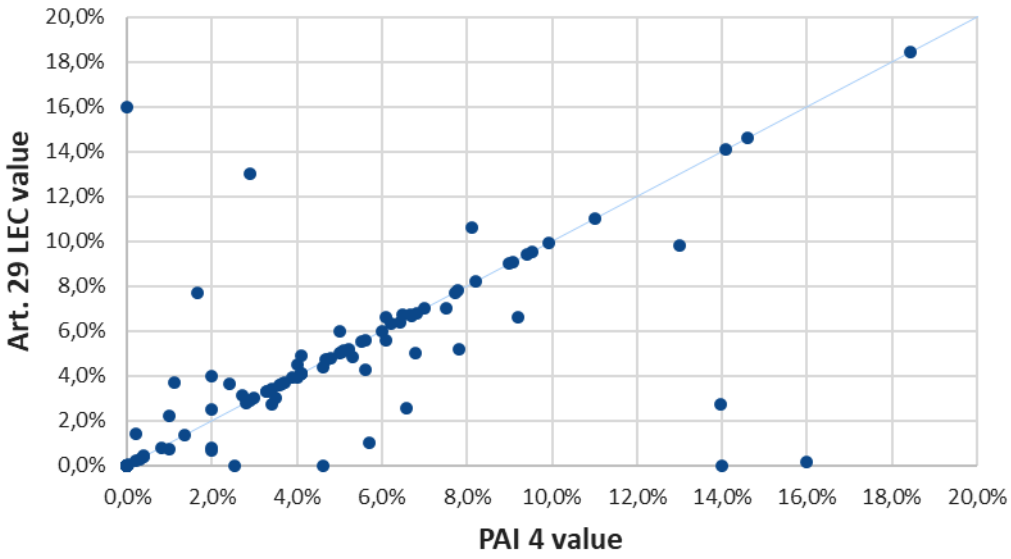


Figure 16: Variability of fossil exposure data submitted between appendices 29 LEC and PAI SFDR

A position on the curve means that the PAI 4 SFDR submission and the Art. 29 LEC submission are identical. Dots in the lower part of the curve (meaning that the PAI 4 submission is greater than the LEC 29 submission) potentially indicate compliance with the regulatory definition for the former but not for the latter.

We can see that, while some extreme cases can be explained by problems of unity (% vs. points), there are a significant number of divergences, and not necessarily in favour of the PAI.

It is therefore not possible to draw any reliable conclusion as to whether financial institutions would use the SFDR definition for the PAI and less so for the 29 LEC. It seems necessary that financial institutions discipline themselves on this subject.

3.4. Fossil fuels phase-out

3.4.1. Summary

The analysis of information related to the phase-out of fossil fuels, coal, and hydrocarbons (for AMF submissions) has been limited in this report due to the detailed analyses presented in the 4th joint ACPR-AMF report on the subject. In particular, no qualitative analysis has been carried out within the reports.

The findings of the analysis are as follows:

- Most insurers have a coal policy (75% in number, 95% in assets under management). The number is lower for AMs (28% of the number for 73% of assets under management).
- Very few AMs have an phase-out timetable for oil and gas, and slightly more for unconventional oil and gas than for conventional oil and gas. The players that do have phase-out schedules are generally small (13% of the number for 16% of assets under management in non-conventional oil and gas, 7% of the number for only 3% of assets under management in conventional oil and gas).
- The number of AMs indicating that they systematically exclude developers of new capacity is slightly higher, but remains low (respectively 26% for non-conventional hydrocarbons and 21% for conventional. The rate rises to only 33% for coal).
- As was the case last year, the phase-out timetables are based around the years 2030 and 2040, corresponding respectively to the dates for the cessation of coal production in the OECD and outside the OECD set by the NZE 2050 transition scenario.
- Lastly, the specialised classes (private equity and real estate) are lagging behind the generalists.

Although the figures are slightly up on last year, it should be remembered that, in the absence of disruptive technological innovations that are currently unavailable, the scientific consensus is that it is inconceivable to meet international climate targets without putting an end to fossil fuel extraction. **The global situation is therefore not in line with international climate objectives.** It should also be noted that :

- As highlighted in the previous report, the fact that the dates on which financing is released correspond to the dates on which production is released is out of sync with the fact that investment precedes production;
- As highlighted in the previous report and in the joint AMF/ACPR report, policies to combat exclusion vary widely in scope.

3.4.2. Context

The mechanism Art. 29 LEC III-6° f) of article D. 533-16-1 of the Monetary and Financial Code requires information on "*Changes to the investment strategy in connection with the strategy of alignment with the Paris Agreement, and in particular the policies implemented with a view to phasing out coal and non-conventional hydrocarbons, specifying the timetable for doing so and the proportion of total assets managed or held by the entity covered by these policies*".

The ACPR/AMF standardised appendices have each evolved since last year, and differ in their structure on this subject:

- Annex AMF asks, by type of fossil fuel (coal, non-conventional hydrocarbons and conventional hydrocarbons - new this year) :
    - If an phase-out schedule is planned (yes/no)
    - Where applicable, the phase-out date, distinguishing between OECD and non-OECD zones
    - The % coverage of exclusion policies
    - Optionally, if policies systematically exclude developers of new fossil fuel capacity
- The ACPR appendix requests information on coal exclusion policies, distinguishing between Europe and the rest of the world (not OECD/non-OECD).

3.4.3. Teaching analysis

In view of the different levels of information, the analyses were conducted separately for insurers and asset management companies. It should be noted that, as described in last year's report and more recently in the ACPR/AMF commitments monitoring report, the implementation of an exclusion policy/phase-out timetable in no way presumes the underlying ambition of the policy, which may vary considerably depending on :

- The scope of application at the level of the financial institution's portfolio ;
- Thresholds and types of activity excluded (expressed in terms of turnover, energy extraction or production capacity, type of use, particularly coal, etc.).

It should be noted, however, that from a qualitative point of view, financial institutions regularly report a gradual strengthening of their practices.

Focus on Insurers

Insurer submissions were analysed with the following results (population of entities > €500m):

Insurer	**Coal**	
> 500m€	Europe	Outside Europe
Pol. Exclusion (#)	85	85
Pol. Exclusion (% #)	75%	75%
Pol. Exclusion (% weight)	95%	95%
Done	2	2
<2025	8	8
<2030	6	6
2030	68	32
2040	1	36
2050	0	1
NC	28	28

Last year, 75 insurers, accounting for 70% of the total number and 93% of the assets under management, declared that they had a policy of phase-outing coal. These numbers have risen slightly this year, and are significantly higher than those for asset management companies (see *below*).

In terms of timetable, the same profile as for the AMs can be observed, with a concentration around the deadlines of 2030 for Europe and 2040 outside Europe.

Outside Europe, the division into two main pillars for 2030 and 2040 could be explained by the fact that some insurers' coal policies provide for an phase-out of coal as early as 2030 in areas outside Europe but within the OECD.

Focus on AMs

The information provided by the AMs has been analysed and the aggregated results are presented in the following table (population of entities > €500m):

AM > €500m	**Coal**		**Hydr. Non conv.**		**Hydr. Conv.**	
Pol. Exclusion (#)	82 (73 in N-1)		39		22	
Pol. Exclusion (% #)	28% (26% in N-1)		13%		7%	
Pol. Exclusion (% weight)	73% (70% in N-1)		16%		3%	
Average coverage (weight)	75%		69%		64%	
Release calendar	OECD	Outside OECD	OECD	Outside OECD	OECD	Outside OECD
<2023	6	8	5	5	1	2
<2025	4	2	7	7	6	5
<2030	8	8	2	2	2	2
2030	60	21	15	13	7	6
2040	2	40	7	8	3	3
2050	2	3	3	4	3	4
NC	213	213	256	256	273	273
Excl. New capacities?	98		77		63	

The following lessons can be drawn:

Submission rates

As was the case last year, only about half of the asset management companies with assets in excess of €500m (representing 80% of assets under management) filled in the information, even though according to the AMF questionnaire only the questions relating to new fossil fuel capacity were optional. The rate of response to these optional questions is in fact more or less the same as for the others. As was the case last year, it was decided to consider non-submissions as "No".

About coal

The findings are stable compared to last year, with a slight increase:

- The number of asset management companies reporting an phase-out timetable is up (9 more), with rates trending slightly upwards, both in terms of numbers and assets under management.
- The targets of 2030 for the OECD and 2040 outside the OECD stand out for the phase-out timetable. A number of AMs state that they have already phased out coal (which does not prejudge the ambition of the quality of the underlying policy, as seen in the previous report).
- One entity entered "2100" for the phase-out of coal outside the OECD, which has been re-catalogued as "2050".

Logically, a greater number of AMs declare that they exclude new capacities on their own. However, the rate remains limited (one third of AM).

The coverage rate, investigated for the first time this year, shows an average coverage of 75% of assets under management. In practice, the values range from very low (several occurrences < 5%) to high, between 80% and 100%, which calls into question the quality of the data in the absence of further explanations.

Finally, an analysis by type of asset management company shows that private equity and real estate asset management companies are less likely than generalist companies to report an phase-out timetable. This could be explained by the feeling that their investment universe does not affect them. However, it should be pointed out that there may be issues with real estate, particularly depending how the buildings are heated.

Hydrocarbons

The distinction between conventional and unconventional hydrocarbons highlights the increased presence of phase-out schedules for so-called "unconventional" activities. However, the rates are still very low compared with coal (13% and 7% of AMs respectively, representing 16% and 3% of exclusions), showing that in the latter case only a few moderately sized AMs agree to phase-out conventional oil and gas on schedule.

The phase-out dates are more spread out than for coal, but a concentration around 2030 can be noted.
Financing of new capacity is scheduled to cease for 77 (non-conventional) and 63 (conventional) AMs respectively, representing 26% and 21% of AM.

The coverage rate is fairly high on average, but lower than for coal (64% and 69% compared with 75% for coal).

The trend by AM category is the same as for coal.

3.5. Biodiversity

3.5.1. Summary

Biodiversity reporting by financial institutions is expanding, but they are having difficulty translating the efforts made (impact and dependency measurements, initiatives) into objectives backed up by tangible actions. Footprint measurements, on the one hand, and one-off actions and main objectives, on the other, sit side by side in the reports without any link.

The main reason is transparently presented by several financial institutions: the state of the methodologies and data does not in practice allow aggregated indicators to be used for steering purposes, with one player pointing to very large unexplained variations in km².MSA for certain portfolio companies.

Faced with this situation, the biodiversity guide, published in 2024 by ADEME and CGDD to support financial institutions in drawing up and reporting their biodiversity strategy, reminds us of the need to move forward through continuous improvement, and therefore not to wait for reliable aggregate indicators, which may never emerge in time in the face of the ecological crisis, before taking action. In this sense, **granular approaches based on critical sectors and practices can enable financial institutions to contribute more quickly and effectively to alignment with long-term biodiversity objectives**. In this respect, **two AMs present interesting examples** concerning the minimum exclusion standards extended to different practices (Mirova), and the commitment strategy deployed and the way it is reported (Amundi).

In more detail, compared with last year, the number of players with more than €500m in assets reporting on a biodiversity indicator has increased (79% compared with 56% in terms of assets, 46% compared with 31% in terms of number). Aggregate footprint metrics derived from MSA (*Mea Species Abundance*) are the most widely used (46% of financial institutions reporting a metric representing 87% of assets), particularly by insurers and generalist asset management companies. These metrics have the advantage of producing a single aggregate indicator of biodiversity pressure, but at the cost of a large number of conceptual simplifications and approximations in the absence of data, which makes it impossible to interpret physically or even to understand the variations from one year to the next.

A qualitative analysis carried out on a sample of 34 players (12 insurers and 22 large AM, including 5 real estate and 5 private equity for which a specific focus was made) shows that the section of the report dedicated to the biodiversity strategy (III-7° of the decree) has most often been expanded, and on the whole covers the recommendations of the guide well (61% average alignment according to the summary methodology developed for this purpose, including 77% for insurers and 63% for generalist asset management companies; the rates are lower for specialised asset management companies). Several financial institutions mention work and studies in progress to complete their system, particularly on commitment and exclusion/selection policies.

In practice, however, no concrete targets have yet been set in relation to international or national biodiversity objectives[53] . With regard to the actions taken, the exclusion policies are not systematic and are often limited to a few subjects (deforestation, pesticides), with the exception of one AM that has introduced extensive minimum standards. Financing initiatives on the theme of biodiversity are mentioned. While some **clearly emphasise a contributory aspect** (financing of companies with a mission or state/regional projects, funds that aim to restore land in poor condition), others approach the biodiversity issue from a more relative/static angle that does not make it possible to discern any real capacity to contribute to international or national biodiversity objectives.

AM practices in terms of commitment vary in maturity. The most advanced AMs present their engagement strategy and the resources deployed by theme, including biodiversity, in dedicated reports, to which report 29 LEC refers. Examples of commitments with companies, whether anonymised or not, are presented, specifying what has been requested, what has been obtained and any follow-up action taken. The reports of , the sample of insurers studied, are generally less detailed on the subject, and it is a pity that the subject of the commitment of asset managers is not dealt with more extensively.

[53] These include the targets adopted by the Kunming-Montreal Accord of December 2022 and the National Biodiversity Strategy.

ADEME applauds the efforts of the players involved and, like the biodiversity guide, urges them to move forward on operational elements, even if they are fragmented, in order to learn through continuous improvement. **The examples cited of impact investment, advanced exclusion policies and detailed commitment actions can guide them in this direction.**

The IFD also has a "Biodiversity and Natural Capital" working group and regularly publishes or contributes to various resources, including a map of existing databases and methods for analysing impact and dependency. Lastly, the year 2024 showed that initiatives were being put in place to launch impact biodiversity funds (Fonds Objectif Biodiversité, Sienna Biodiversity Private Credit Fund).

3.5.2. Context

III-7° of article D. 533-16-1 of the Monetary and Financial Code requires detailed information on the player's alignment strategy, with targets for 2030 and then every 5 years on (i) a measure of compliance with the objectives of the Convention on Biological Diversity (ii) an analysis of the contribution to the reduction of the main pressures and impacts as defined by the IPBES and (iii) mention of support for a biodiversity footprint indicator.

The AMF and ACPR appendices require the reporting of a unit of measurement of a freely defined metric, together with its value and a description, as well as information relating to its coverage (amount of assets under management and proportion it represents). The ACPR format also required that the portion of information coming directly from the counterparties' reporting be specified. The ACPR format allows the submission of only one metric, whereas the AMF format this year allowed the submission of several, and proposed classifying the metrics by family in order to facilitate their categorisation.

Given the low level of maturity of the subject observed last year, a guide for financial institutions was issued in February 2024 by the CGDD and ADEME, in order to provide players with guidance on how to better grasp the subject. The IFD has also published an overview of the strategies of the Paris financial centre in the fight against deforestation.

The analyses carried out on a sample of the largest insurers and asset management companies consisted essentially in (i) measuring the extent to which the players have taken the subject into account and their compliance with the main recommendations of the guide, (ii) drawing the main lessons from their reports and (iii) identifying the various indicators mentioned by all the players in their standardised submissions.

3.5.3. Teaching analysis

3.5.3.1. Changes in the way biodiversity is taken into account in reports 29 LEC

In order to measure the extent to which these criteria have been taken into account, a qualitative grid was drawn up and applied to a sample of 34 players (12 and 22 respectively of the leading insurers and asset management companies in terms of assets under management, with 5 private equity and 5 real estate asset management companies). The grid covered the following criteria:

- Evolution of the number of pages devoted to the subject through the lens of impact (section 7° of the decree). This figure in no way provides a qualitative view of the content, but remains a robust indicator for assessing a trend.
- Processing of the guide's recommendations, with construction of an "alignment score" weighted equally according to the presence or absence of the following elements:
    - Definition of objectives in relation to COP 15 and the Kunming-Montreal Accord
    - Identifying impacts and dependencies
    - Taking biodiversity into account in the investment policy, through the implementation of an exclusion policy or another means.

These elements do not prejudge the quality of the system put in place, but they can highlight some key lessons on a subject where the guide has emphasised the importance of continuous improvement.

The results of this analysis are as follows:

	Insurers	AM	Global
Average number of pages	7,3	7,5	7,4
Change / N-1	+38%	+21%	+26%
Score for compliance with the guide's recommendations	77%	52%	61%
Minimum	20%	20%	20%
Maximum	100%	100%	100%

Between last year and this year, reports on the subject have become more consistent, particularly from insurers. On a more qualitative level, it should be noted that many financial institutions are making educational efforts and demonstrating transparency, particularly with regard to the existence of methodological limitations, demonstrating a desire to make progress in line with the spirit of the decree.

3.5.3.2. Practices of a sample of players

The sample population presented above was analysed in greater depth. The part of the Art. 29 LEC reports of these entities relating to the biodiversity strategy was analysed in order to identify structuring elements and any good or bad practices.

The following points emerge from this analysis.

Strategy

- While most of the financial institutions surveyed refer to the Kunming Montreal targets[54] , only two mention the establishment of quantifiable objectives/significant contribution to the achievement of the objectives using indicators, apart from the aspects of "reuse" of the climate decarbonisation targets in the context of the target of minimising the impacts of climate change. **However, no concrete targets**

[54] In particular, "support" targets such as target 15 on the monitoring and publication of impacts on nature by economic players, and target 19 on financing requirements, as well as target 8 on limiting global warming, the subject being correlated with the climate strategy that is to be put in place. Target 7 on reducing the risks of pollution by 2030 (particularly pesticides) is also frequently cited.

have been identified that comply with observed climate standards (indicator, evolution objective, reference year, target year). One stakeholder acknowledges that "*This approach is nevertheless hampered by the lack of recognised and shared tools and data for measuring biodiversity performance*". Another indicated that "*setting up a strategy and alignment trajectories does not seem feasible, robust or credible at this stage*". Some players report that they are working on the subject.

- As recommended by the guide, several financial institutions have drawn up a table comparing the Kunming-Montréal targets with :
    - Planned actions for which a "contribution" to the target can be highlighted (exclusion policies, thematic funds, commitment, etc.);
    - Means-based objectives (measuring dependence and impact, making a targeted biodiversity commitment to x number of companies) or fundamental objectives ("investing in thematic funds linked to biodiversity").

Measuring impacts and dependencies

85% of the players in the sample communicate on the identification of impacts, and 53% on dependency. The trend is particularly strong among AMs (82% communicate on impacts, only 36% on dependencies).

As shown in3.5.3.3 , the impact analyses carried out are based on the MSA metric. Only 1 insurer, which does not seem to be very mature overall on the subject of biodiversity, and 6 AM, including 4 real estate companies and one private equity company, do not use this metric.

In practice, the content of the "impact" section consists of communicating the metric figure obtained (it should be noted that some players mention using an indicator but do not publish the associated figures) in a more or less detailed manner by portfolio/type of pressure. These figures may be compared with a benchmark index, and/or may be illustrated by examples intended to be instructive (typically, the "artificialisation" of land caused by investments is presented in km² or as the equivalent of the surface area of Paris, despite the severe limitations of physical interpretability, as mentioned at3.5.3.3). The coverage rate, reflecting the analytical efforts made, is also sometimes highlighted.

In addition, some players dedicate a section of this part of the report to identifying limitations and areas for improvement, which is useful for contributing to a continuous improvement process.

Variations in metrics from one year to the next have been observed only very rarely (4 cases), although in several cases the financial institution had already communicated on these elements last year. Only two cases were noted where the financial institution provided explanations for changes: one case where a simple macro explanation of changes in the scope was provided, and another where clear explanations highlighted interpretation difficulties, with significant changes in MSAs not explained at the issuer level (Groupama GanVie). This transparent practice allows stakeholders to fully understand the difficulties encountered by the players and thus contributes to a better collective knowledge of the subject.

Above all, no link was found between this measurement exercise and concrete elements of the action plan, investment policy or strategy. Many reports are silent on the subject, some highlighting work in progress. One insurer's report lists in detail the additional measures/studies that will be carried out in certain sectors deemed critical.

As it stands, this identification section **is not very operational**. It contributes to a phase of learning and continuous progress for the players involved. As the guide emphasises, ADEME points out that, given the urgency of the issues at stake, we should not wait until we have fully reliable metrics, which may never be available given the complexity of the subject, before taking concrete action on the investment and commitment policy.

Where dependencies are concerned, the subject is often dealt with from the angle of sector vs. ecosystem services matrices, highlighting the most critical pairs. However, it remains tricky to interpret the concrete actions to be taken on the basis of such information without going back to a granular analysis of the companies and issues, which is done to date mainly through the treatment of controversies.

Investment policy

As the guide reminds us, all management levers are available to investors: exclusion, selection or support approaches, positive financing, analysis of transition plans, commitment.

Exclusion

The exclusion lever is used by 40% of the insurers studied and only 27% of the AMs (a third of the generalists, only one of the 5 private equity companies studied, and none of the real estate companies).

In practice, these policies address the following issues in particular:

- Deforestation in general, with more or less developed sectors: palm oil, soya, livestock, wood, paper and cardboard production;
- Pesticides, generally specified on certain products;
- Biodiversity controversies, identified by specialist service providers;
- Climate or ESG exclusions reframed through a "biodiversity" perspective: coal (climate pressure), tobacco (deforestation). As requested by the guide, some asset management companies transparently emphasise that this type of exclusion only considers biodiversity as a secondary concern (e.g. Rothschild & Co).

One AM (Mirova) has a particularly well-developed exclusion policy. It has "put *in place a policy of minimum standards that leads us to exclude from our investments assets engaged in activities identified as harmful to the objectives of preserving biodiversity, when there is no identified intention of transition*". In particular, the following activities are excluded:

- Soya and beef producers without zero deforestation targets, and palm oil producers who are not members of RSPO (Roundtable on Sustainable Palm Oil) and who do not have all their production certified;
- Manufacturers of PFAS (*per- and polyfluoroalkyl substances*, synthetic compounds also known as "eternal pollutants", initially used for their non-stick or waterproofing properties in various processes, but which can be highly toxic);
- Players in the single-use plastic value chain (particularly tableware and fishing nets) with no target for increasing the recycling rate;
- Companies with no commitment to reduce fishing in high-risk areas.

AM stresses that it regularly updates its standards in line with its knowledge, which clearly reflects the need to operate on the basis of continuous improvement, as required by the guide.

Positive financing

With regard to positive financing (investments in companies and activities that contribute to the restoration/preservation of biodiversity or the reduction of negative pressures), 67% of insurers mention at least one investment, compared with only 32% of asset management companies (half of the generalists, one private equity company and none of the real estate companies).

The various investment levers used by insurers are as follows:

- Setting up direct investments. Some insurers present a focus on a given investment, not necessarily representative in terms of size but relevant in terms of impact[55] . None of them give details of the underlying positions on a line-by-line basis.

[55] Le printemps des terres", a company invested by Allianz France, MAIF Impact, BNP Paribas and Arkéa - Fédéral Finance, aims to restore 15,000 hectares by 2028. The recently published nature restoration law requires France to restore 30% of its land in poor condition by 2030. In forests alone, the estimated area in decline is 670,000 ha (source: ONF).

- The setting up of dedicated funds presented as "impact funds". In the absence of a regulatory framework, this concept potentially covers a variety of operational realities. In practice, the reports do not detail the operating procedures/selection process for these funds.
- Investment in thematic "biodiversity" funds managed by *asset managers*. In the latter case, and without calling into question the potential relevance of the target fund, the guide points out a risk of dilution of responsibility where the insurer would invest on the basis of display, without checking the robustness of the underlying approach taken by the fund in terms of its contribution to the preservation/restoration of biodiversity . [56]

Finally, two insurers communicate globally on the proportion of 'green' assets or exposure to green bonds. These concepts do not focus on biodiversity.

Regarding asset management companies, the lower number of entities mentioning this type of lever may be explained in particular by the fact that, as asset managers invest on behalf of their clients, it is more difficult for them to allocate a specific share of managed assets to a single theme. This contrasts with a major insurer, who can dedicate several tens of millions of euros from its general account to the topic, while accepting a lower profitability requirement on that portion of assets.

In practice, AMs put forward :

- On the one hand, the setting up of funds or ranges of thematic funds on biodiversity (see examples below);
- Secondly, on a more occasional basis, by announcing investments via its funds in sustainable bonds linked to biodiversity issues.

By way of illustration, in addition to the index fund mentioned in the insurance section, the following examples of funds have been mentioned:

- Ofi Invest Biodiversity Global Equity, an art. 8 SFDR fund, which states that it "*will select responsible companies that are active and committed to combating the erosion of biodiversity and to preserving nature and restoring ecosystems*". In practice, the fund undertakes to invest at least 75% of its assets in sectors considered to have a material negative impact on biodiversity. After applying a normative exclusion filter, it employs a *best-in-class* SRI with a selection rate of 70% based on an ESG rating, followed by a specific biodiversity filter with a selection rate of 80% of the residual investment universe based on a non-detailed proprietary score. The fund also reports its exposure by quintile of biodiversity score distribution, with a minimum commitment of 70% of assets to the first three quintiles.
- Tocqueville Biodiversity SRI, an art. 9 SFDR equity fund that pursues "*a sustainable investment objective by investing in shares of companies that are virtuous in terms of SRI criteria (environment, social and governance) and that operate in sectors linked to the biodiversity theme according to the analysis of the Management Company and the Financial Management Delegate*". In practice, the fund applies an initial "best in class" filter of 80% to an investment sub-universe - made up of sectors for which the biodiversity issue is considered relevant - based on a proprietary BIRD biodiversity methodology, followed by a second SRI filter.
- SLF (LUX) Equity Environment and Biodiversity Impact, an art. 9 SFD equity fund that invests in or exposes at least 80% of its assets to equities "*whose economic activity contributes to preventing and controlling pollution, protecting marine and terrestrial ecosystems or preserving biodiversity, and does not cause significant harm to environmental or social objectives, while ensuring that the companies in the portfolio follow good governance practices*". The methodology used to determine which companies are eligible for this definition is not exhaustively detailed, but combines various criteria, including turnover and carbon footprint, as well as the MSA, which aims to measure pressures on biodiversity.

[56] One of the reports mentions a passive fund replicating the ESG Eurozone Biodiversity Leaders PAB index, which operates on a best-in-class basis using an indicator derived from the MSA. In practice, the index includes companies such as Schneider Electric (10%), SAP (10%), Essilor (7.7%), Hermès (6.4%) and Ferrari (5.4%) in the top positions. At September 2024, the fund's taxonomic eligibility for pollution and biodiversity issues was low, and lower than its benchmark index (14% vs. 18%). It seems very difficult to discern the contribution of this type of approach to achieving biodiversity objectives.

- A special case is the Land Degradation Neutrality fund, a closed-end fund with assets of $200m set up by the United Nations Convention to Combat Desertification, which invests in financially viable private land restoration and management projects. Mirova won a tender to manage this fund .[57]

With regard to the thematic funds set up, and without calling into question the real "biodiversity" identity of the funds mentioned above for illustration purposes, it is recalled, as mentioned in the guide, **that there is a distance between a "thematic" fund** that would operate, for example, through a "*best in class*" or "*best in universe"* mechanism without any guarantee of a minimum level of requirements, **and a fund that would make it possible to "contribute" to biodiversity objectives**, for example by being driven by an analysis of the positive contribution of the invested company/project or, on the contrary, of the significant reduction in the negative pressures exerted. Particularly in the case of the first two funds presented *above*, no minimum expectations in terms of biodiversity practices were identified at the outset, which could allow companies with poor biodiversity practices, or low scores according to recognised initiatives on these subjects (such as Forest 500, an initiative cited in particular by the IFD panorama on the fight against deforestation), to be selected by the fund.

Finally, with regard to sustainable bonds, it should be noted that Ostrum AM has introduced an internal rating process for thematic bonds, including biodiversity, to avoid any risk of *greenwashing*, with an issuer focus and an instrument focus. The analysis is based on an aggregation of around ten quantitative and qualitative indicators. In addition, in the spirit of taxonomy, which ensures that achieving an objective does not harm other aspects (the DNSH or "*Do No Significant Harm"* principle), the AM endeavours to monitor the potential impact of other themes on biodiversity. Examples of biodiversity *green bonds* are provided, relating to regional or national public reforestation / national park preservation projects.

Commitment

The lever of commitment is widely used when it comes to biodiversity: 85% of players mention it (92% of insurers and 82% of asset management companies). In terms of collective commitment, the Finance for Biodiversity Pledge, Nature Action 100 and Act 4 nature initiatives are regularly cited, among others. Some financial institutions also support or publish research papers on biodiversity.

Financial institutions are structuring themselves in terms of individual commitment to the companies they invest in, with biodiversity components present or in the process of being integrated into their commitment and voting policies.

Several AMs detail their strategy, resources and actions in a dedicated engagement/voting report, often providing examples of engagement, which are usually anonymised. The identification and prioritisation of the companies to be involved is generally presented in a general way (involvement of the main companies in key issues). Impact / dependency analysis work (ENCORE database, MSA) is sometimes cited as a source.

Some AMs do not detail the nature of the requests made at the time of the commitment, while others present a more structured approach, based in particular on the recommendations of the TNFD or the SBTN guides.

Amundi makes a special effort in its commitment report, which includes a chapter dedicated to biodiversity, taken in general and broken down by theme (ocean, water use, deforestation, plastic, PFAS, pesticides, etc.). The chapter details the number of companies involved and shares the main lessons learned from the experience acquired since 2021, in particular the difficulties encountered in taking concrete action at company level[58] . For each theme, the main actions taken and examples of commitments, anonymised or not, are provided, as well as detailed case studies. Examples of recommendations issued by AMs include integrating the issue into governance, improving risk and impact measurement and reporting, and deploying monitoring indicators, as well as concrete actions related to the business (asking for production targets to be certified by labels, detailing concepts such as

[57] Another example that was not mentioned in the reports investigated: the institutional investors in the Fonds Objectif Biodiversité initiative have set up a listed fund endowed with more than €100m over 5 years, supported in particular by the CDC. The aim is "*to invest in companies making the transition to a biodiversity-sustainable business model and in companies developing innovative solutions for the preservation of biodiversity*". Mirova has also been selected as manager of this fund.

[58] "we also saw limited new concrete actions to address drivers of biodiversity loss (beyond offsetting or pilot projects). Some cited the reason for this as being the inability to measure biodiversity on the ground to create a baseline. Others cited the difficulty of starting due to the numerous other topics that require attention and financing (such as climate)."

the principle of "responsible use of pesticides", etc.). In some cases, escalation/exclusion process is triggered by a lack of response/an unsatisfactory response. Finally, global statistics covering all the themes beyond biodiversity, qualitatively assessing the result of the commitment (negative, neutral, positive) are provided.

Insurers often delegate a significant proportion of their investments to asset management companies. In cases where the asset management company belongs to the same group as the insurer, there is generally overall consistency in terms of objectives and procedures, with the attainment of critical mass allowing for greater influence. In this case, the insurer's report refers to the group's overall practices / the system put in place by the AM.

In the other situations, the reports did not contain any information on the insurers' commitment to the asset managers, and in particular on their expectations in terms of biodiversity. **However, this information is essential to inform the insurer's strategy, especially in a context where some *asset managers* stress that the ambition of their policy depends on the wishes of the institutional investor who entrusts them with its assets**.

Analysis of economic players

We did not find any analytical framework aimed at categorising invested companies according to biodiversity issues, based in particular on companies' biodiversity transition plans. The element that comes closest is the system of minimum standards presented by Mirova, which verifies whether or not companies have made a commitment to the targeted problematic activities, sometimes providing elements of analysis as to credibility[59] . In the "Biodiversity" section, one company mentions a categorisation framework that seems to cover environmental issues in general, and climate change in particular.

The guide points out that the needs in terms of biodiversity objectives are mainly based on stopping the financing of harmful practices rather than on financing positive activities. The information available at company level is still patchy (in particular, there is no mandatory "biodiversity" transition plan in the CSRD), but these are all subjects for commitment. **In order to contribute to the achievement of international biodiversity objectives, financial institutions must encourage companies whose practices are critical to propose a transition plan, or at least objectives in this area.**

To avoid the implementation of hollow mechanisms, where, for example, a company with established harmful practices would simply be asked to communicate better on its impacts, it is important that financial institutions adopt a system that makes it possible to set relevant objectives depending on the maturity of the company involved and the criticality of the biodiversity issue for it. The end result of such a system would be to ask key companies to define objectives for reducing the negative pressures that their activities exert on biodiversity, in line with international objectives, with an associated transition plan. Some of the commitment practices observed are beginning to come close (see *above*).

Focus on real estate

The approach for real estate is more 'concrete' to grasp. Indeed, the first issue to be addressed is that of land artificialisation, one of the five pressures cited by the IPBES. The predominance of a single pressure means that we are more quickly in touch with concrete issues. In this way, the following aspects were identified in the sample of 5 stakeholders studied:

- Monitoring the pressure of artificialisation linked to new operations;
- Use of the BiodiverCity label ;
- Raising awareness among stakeholders, particularly with regard to the management of green spaces, links with local residents and the requirements placed on builders for new projects;
- Use of the surface biotope coefficient or a variant thereof[60] ;

[59] "The exclusion applies to companies that undertake to expand their beef production capacity without having a convincing strategy to protect ecosystems and without being able to provide a solid justification of the benefits of this strategy for the environment.

[60] In this respect, the OID's 2024 study stresses that "indicators such as the CBS [...] require a rigorous methodological framework to ensure the robustness of the analyses, particularly in terms of quantitative accuracy, taking account of local specificities and their application in dense urban areas. These shortcomings can, albeit unintentionally, lead to a distorted view of the environmental impact of assets. It is also to take account of these shortcomings that work is currently being carried out to develop a *harmonised Coefficient Biotope Surfacique* (CBSh)".

- One AM states in its report that it intends to publish a proprietary score for Capital Nature during 2024
- Finally, another AM tracks the number of assets with a biodiversity initiative in place, as well as the number of assets where existing on-site pollution has been removed.

One AM highlighted its policy of excluding construction projects on the basis of criteria such as soil fertility, land on red lists or forests. It was emphasised that investment by AM in pure development projects, and hence the development of virgin land, is rare. As a result, it is not easy to identify the extent to which this type of exclusion is a real constraint on AM's usual activity.

However, there is still a lack of concrete targets for contributing to international or national biodiversity objectives. Instead, the initial focus is on measurement objectives (e.g. generalising the measurement of indicators across the entire portfolio), which will then enable studies to be carried out, followed by concrete actions for improvement.

The main lines of action and indicators, while relevant, are not accompanied by concrete objectives, which means that it is not possible to fully demonstrate a tangible approach to contributing to biodiversity objectives. In particular:

- When this indicator is mentioned, it is presented in "*best effort*" format, with no concrete commitment noted (wording of the "commit as much as possible" type is noted). One AM talks about high rates of new projects with a "zero or low" impact, but does not specify whether the indicator is weighted by number of projects, by outstanding projects or by surface area, what is covered by the notion of "low", nor does it provide a concrete objective expressed, for example, in terms of maximum built-up surface area;
- No target set for the surface biotope coefficient. In several cases the indicator was cited but not published, and no cases were found where the AMs analysed variations/trends or put this indicator into perspective with biodiversity objectives;
- AM have ESG analysis grids in which biodiversity is taken into account, but it is not specified whether minimum expectations or filters are applied;
- No measures were found that set minimum requirements for selecting service providers based on virtuous biodiversity practices, but rather charters and sharing of best practices. One AM specifies that it circulates building design specifications containing biodiversity requirements;
- The Biodivercity label, which is frequently cited, sometimes with illustrative case studies, does not appear to be covered by a minimum target for a relevant sub-perimeter. In the sample of asset management companies reporting, we were unable to identify the proportion of assets covered by the label.

The study carried out is not intended to be exhaustive, given the small number of players identified. It does, however, highlight the potential for implementing relevant contributory strategies and the progress made to date in making formal commitments. Where appropriate, it would be useful for the reports to provide a better explanation of any practical difficulties encountered by the players in taking this step.

Focus on private equity

Private equity has the advantage of being able to focus on "niche" subjects that are relevant to the sustainability issue under consideration, with particularly high leverage. However, this sector invests in companies with very diverse profiles, some of which do not consider biodiversity to be a material issue. In addition, the companies invested in are small, with limited resources. This problem is exacerbated when applied to biodiversity, where even large companies find it difficult to move forward. One AM transparently lists the difficulties that prevent it from being clearly aligned with long-term biodiversity objectives. Another publishes the low return rate it obtains on its questionnaires regarding the presence of a biodiversity policy and the completion of a biodiversity impact assessment, as the questionnaire does not go so far as to detail expectations regarding the content of these policies and assessments.

Apart from thematic asset management companies such as Mirova, which specialises in various sustainability issues, particularly environmental issues, and has various initiatives such as the funds mentioned *above*, private equity asset management companies do not have more advanced practices for their private assets than generalist

companies. One of them transparently admits that it does not assess its compliance with international biodiversity targets, and is aiming for a biodiversity framework by 2026.

For the 4 companies in the sample, excluding Mirova, the following practices can be noted for private assets: Integration of biodiversity risks and impacts in the *due diligence* phase upstream of the investment, and in the monitoring phase. Sometimes systematically, sometimes when the subject is considered important. Details of the analysis criteria used are not given.

A mention of an exclusion policy on the non-responsible palm oil sector (including palm oil-based consumer goods) and biodiversity controversies.

The study is not intended to be exhaustive, given the small number of players surveyed. Nevertheless, it highlights the difficulties faced by private equity players. Private equity fund managers are encouraged (i) to describe in a transparent manner the difficulties that prevent them from developing a strategy to contribute to biodiversity objectives and (ii) still with a view to continuous improvement, to identify more precisely the possibilities for implementing exclusion and contribution policies, for example in companies that provide biodiversity-related solutions.

3.5.3.3. Categorisation of metrics biodiversity

Mapping of indicators

As last year, and as for the climate indicators (see 3.1.3.), a mapping of the metric typologies was carried out. However, this work is more delicate. In fact, it is emphasised that - unlike the climate issue, where the CO2e metric has emerged as a reference and where the problem is global[61] - there is no single, physically interpretable metric for biodiversity that would cover all subjects and be relevant to all aspects related to biodiversity. This is due to the very nature of the biodiversity issue, which is structured around the five major pressures defined by the IPBES:

- Land and sea use change and habitat destruction
- Over-exploitation of resources
- Climate change
- Pollution
- Invasive alien species.

Each pressure can be understood and has a potentially different impact depending on the precise location considered for the analysis.

As a result, companies are faced with a trade-off:

- Or proceed in a *micro way* and treat each problem independently of the others, with a potential inflation of indicators and metrics that are not comparable from one player to another, or even from one company site to another;
- Or adopt a *macro* approach that is necessarily simplistic, producing overall scores of questionable physical interpretability.

At the level of financial institutions, the problem is compounded by the need to have an aggregated view of the different companies in the portfolio. In practice, this can be achieved by :

- From *a micro* perspective, focusing on a single issue or a few issues (water consumption, built-up area), which will therefore only be relevant for a limited portion of the portfolio, or for a specialised financial player;

[61] A particle of CO2 emitted in one part of the world will be mixed with the global composition of the atmosphere. The location of the sources of greenhouse gas emissions is therefore of little importance in analysing the contribution and adaptation to climate change.

- In a *macro* vision, on the adaptation at portfolio level of aggregate scores assessed at company level, in parallel with financial carbon accounting. It is this latter approach that may be suggested by the notion of "biodiversity footprint indicator" cited by the decree.

In practice, *macro indicators* are most often developed by intermediaries, rating agencies or suppliers of extra-financial data such as MSCI, S&P Trucost, or specialised players such as CDC Biodiversité and IcebergDataLab. The latter offer their services to both companies and financial institutions. It is therefore important to stress that, in this case, the score mentioned refers directly to the methodology of a private player, whose transparency is not always total since it is a question of protecting the profitability of its business model.

Finally, other approaches were observed. The following categories have been developed (scores, portfolio shares, other indicators). These categories do not cross-reference exactly with the list proposed by the AMF, because empirically the players may have confused their data (between the biotope coefficient per surface area and the Carbon Biodiversity Footprint in particular).

Scores

The MSA (*Mean Species Abundance*) measure was developed by the Dutch equivalent of ADEME, the PBL Netherlands Environmental Assessment Agency. In its presentation, it aims to measure the quantity of original species (animal and plant) still present in an environment, based on a state assumed to be "undisturbed". This results in a score between 0 and 1, where 1 represents the original undisturbed state, and 0 a situation of maximum erosion of biodiversity where all the original species have disappeared. In this extreme case, this would mean, for example, that a forest has been entirely replaced by a concrete surface.

In practice, as presented in the public technical documentation dating from 2016 (the most recent found on the PBL website), the score works by successive aggregations of sub-scores by pressure typologies (six pressures proposed by the[62] model) and territories. As with temperature-based approaches (see 3.1.4.), this metric is based on a physically interpretable concept (in this case, a reduction in the number of species present in an environment). However, the proposed methodology is based on paradigms with numerous limitations[63] and necessarily very strong model assumptions[64] . In view of these factors, and without calling into question the very relevance of using the MSA, **it seems difficult to consider that it has physical interpretability.**

Based on this MSA concept, two service providers have developed aggregate metrics to measure the biodiversity footprint: the CBF (*Corporate Biodiversity Footprint*), produced by IcebergDatalab, and the GBS (*Global Biodiversity Score*), produced by CDC Biodiversité and operationalised in particular via the BIA database in partnership with Carbon4 Finance.

These indicators are sometimes difficult to distinguish from one another in reporting, as they communicate using the same unit, the MSA. This unit comes in different variants (km².MSA or km².MSA/m€ or per physical unit for the CBF, MSA.m², MSAppb or MSAppb* and monetary derivatives for the GBS). However, since they are based on different models and underlying data, the results are logically different. In this regard, it should be noted that one asset management company has carried out a comparative study of the two methods (see Swen Capital Report 29 LEC 2022).

Regardless of the MSA variant chosen, the potential dangers associated with careless use of this type of approach are :

- Presenting seemingly homogeneous figures to the public that are in fact not comparable at all, due to the use of multiple underlying methodologies based on different paradigms

[62] The list is slightly different from the IPBES pressures: (i) *land* use change and (ii) human *encroachment* (e.g. tourist or hunting activities), (iii) climate change, (iv) nitrogen-related eutrophication (which is a subset of the pollution issues), and habitat disturbance via (v) the proximity of human infrastructures or (vi) habitat fragmentation.

[63] Concept of "undisturbed situation" in a context where there is no, or no longer any, territory that has not been influenced by man, considering that this influence would necessarily lead to degradation, considering the abundance of species and not their rarity or the threat to their survival, etc.

64 Theoretical mathematical rules applied when aggregating pressures of different types, expert judgement parameters, etc.

- Attributing a misleading physical interpretation to the figure for educational purposes, which may then be taken literally by the reader (manager, distributor, natural person).

So, without calling into question the possible relevance of these methodologies as indicators for selection, prioritisation, awareness-raising, etc., it is necessary to take account of the weaknesses of these indicators, which cannot be physically interpreted, **in order to focus on their "score" aspect**.

In addition to the scores derived from the MSA, other less commonly used scores have been identified and are grouped together under the "Score - Other" category. In practice, these may be proprietary scores (e.g. from 0 to 100) or scores proposed by other providers.

For real estate, this may be the Coefficient of Biotope per Surface Area (CBS), which designates the proportion or percentage of a surface area devoted to Nature, and which is used in various territorial texts (SCOT, PLU).

Finally, the term "scale" has been used to cover cases where the financial institution uses concepts such as "very high, high, medium, low" to measure the overall impact or dependence of its portfolio on a given biodiversity issue. This is the approach used by benchmarks such as the ENCORE database or the SBTNature initiative.

Portfolio shares

Another approach that is more consistent with the activity of a financial institution is to establish a discriminating criterion in relation to biodiversity and apply it to its portfolio to assess the proportion of the portfolio exposed to the biodiversity issue.

Thus, with regard to *Principal Adverse Impact* (PAI), the European SFDR framework imposes a mandatory indicator relating to biodiversity, PAI indicator no. 7, which is defined as follows (RD 2022/1288):

" 7. Activities with a negative impact on biodiversity-sensitive areas

Share of investments made in companies with sites/establishments located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas".

The terms "sensitive areas"[65] and "activities that have a negative impact on these areas"[66] are also defined in the SFDR regulations. This indicator has simply been adopted by a number of financial institutions.

Others report on the proportion of the portfolio invested in companies subject to biodiversity-related controversies, or with a 'poor' biodiversity score, or on aggregate exposure to a controversial activity (e.g. palm oil production).

Other indicators

Other types of indicators include :

- Various physical measurements (m3 of water, m² of surface area).

[65] *19) "biodiversity hotspots" means the Natura 2000 network of protected areas, Unesco World Heritage sites and key biodiversity hotspots, as well as other protected areas, as defined in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139* ".

[66] *18) "Activities that have a negative impact on biodiversity-sensitive areas" means activities that have all of the following characteristics:*
a) they lead to the deterioration of natural habitats and the habitat of species for which a protected area has been defined, and disturb these species
(b) none of the conclusions, mitigation measures or impact assessments adopted in accordance with any of the following Directives, or national provisions or international standards equivalent to those Directives, have been implemented for those activities:
i) Directive 2009/147/EC of the European Parliament and of the Council (9);
ii) Council Directive 92/43/EEC (10);
iii) an environmental impact assessment within the meaning of Article 1(2)(g) of Directive 2011/92 of the European Parliament and of the Council (11);
(iv) for activities in third countries, the conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards equivalent to the above Directives and the impact assessments referred to in points (i), (ii) and (iii);

- A few cases of the use of a monetary impact indicator translating biodiversity pressure into a potential monetary impact on a company's turnover, an approach developed by certain service providers. In the absence of available details on the methodologies, however, it was not possible to understand the degree of relevance of the indicator, and whether it was ultimately a simple "score" translated into a metric that could be interpreted financially, which would raise the same problems of interpretability as those associated with the use of the MSA, see *above*.
- Monitoring indicators relating to a measure and not to a diagnosis (for example, the number of companies that responded to a questionnaire, on which a diagnosis was made, etc.). These elements have been grouped together under the "number of occurrences" indicator.

Finally, in some cases, the investigations carried out did not provide a clear understanding of the nature of the indicator cited, resulting in an "Uncertain" category being proposed.

Results

As with the climate indicators (see 3.1.3.), the mapping of unit typologies was carried out manually, with more than 100 occurrences categorised out of 10 possibilities, as seen above. The results, applied to the entities that declared that they exceeded the €500m threshold, are presented below.

Citing a metric does not necessarily imply an associated objective. Furthermore, the value of the metric itself has not been investigated, given the diversity of indicator formats and the absence of a benchmark for the amplitude of metrics.

	Insurance			AM			Banks			Total		
Biodiversity indicator	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Score derived from MSA	53	47%	79%	38	13%	67%	3	9%	12%	94	21%	70%
Quantitative score excluding MSA	5	4%	1%	10	3%	3%	1	3%	2%	16	4%	2%
Scale	3	3%	1%	3	1%	0%	0	0%	0%	6	1%	0%
Share of portfolio - Ind. PAI 7	0	0%	0%	21	7%	4%	1	3%	3%	22	5%	2%
Share of portfolio - excluding PAI 7	3	3%	1%	23	8%	2%	2	6%	5%	28	6%	2%
Monetary impact/turnover	2	2%	0%	2	1%	0%	0	0%	0%	4	1%	0%
Physical measurement	0	0%	0%	13	4%	1%	0	0%	0%	13	3%	1%
Share/Number of hits	0	0%	0%	6	2%	1%	0	0%	0%	6	1%	1%
Multiple	4	4%	0%	1	0%	0%	0	0%	0%	5	1%	0%
Uncertain	5	4%	2%	6	2%	1%	0	0%	0%	11	2%	1%
NC	38	34%	16%	188	64%	23%	28	82%	78%	254	57%	21%

As a reminder, last year's results are as follows. It was decided not to distinguish this year between the two main methodologies derived from the MSA, and developed respectively by CDC Biodiversité (GBS) and Iceberg DataLab (CBF), due to the difficulty of distinguishing between them. The various physical measurements (water, surface, activity data) have been grouped into a single family, while two families of complementary indicators have been proposed: scales and number of occurrences (see above).

	Insurance			AM			Banks			Total		
Biodiversity indicator	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Score - CBF	23	21%	31%	15	5%	34%	0	0%	0%	38	9%	33%
Score - GBS	21	20%	38%	9	3%	7%	0	0%	0%	30	7%	18%
Score - other	4	4%	2%	18	6%	4%	0	0%	0%	22	5%	3%
Share of portfolio - Ind. PAI 7	2	2%	0%	7	2%	1%	0	0%	0%	9	2%	1%
Share of portfolio - other	3	3%	1%	8	3%	1%	1	3%	2%	12	3%	1%
Company share	0	0%	0%	3	1%	0%	0	0%	0%	3	1%	0%
Monetary impact/company turnover	2	2%	0%	2	1%	0%	0	0%	0%	4	1%	0%
Surface	0	0%	0%	4	1%	0%	0	0%	0%	4	1%	0%
Water	0	0%	0%	1	0%	1%	0	0%	0%	1	0%	0%
Activity data	0	0%	0%	1	0%	0%	0	0%	0%	1	0%	0%
Qualitative indicator	2	2%	0%	3	1%	1%	0	0%	0%	5	1%	0%
Uncertain	2	2%	0%	1	0%	0%	0	0%	0%	3	1%	0%
NC	48	45%	27%	209	74%	51%	31	97%	98%	288	69%	44%

Lastly, an analysis by type of asset management company was carried out this year. Note that only entities with more than €500m in assets under management are presented in these results.

Category	GEN	PE	RE	OTH	Total
MSA	24	9	1	4	38
Quantitative score excluding MSA	5	0	5	0	10
Scale	1	2	0	0	3
Share of portfolio - Ind. PAI 7	7	12	1	1	21
Share of portfolio - excluding PAI 7	11	8	3	1	23
Monetary impact/company turnover	2	0	0	0	2
Physical measurement	3	4	6	0	13
Share/number of occurrences	1	3	2	0	6
Multiple	0	1	0	0	1
Uncertain	2	3	0	1	6
NC	79	59	35	15	188

The main conclusions to be drawn from this can be summarised as follows:

An increase in the number of submissions, particularly from large financial institutions

While the total number of submitters of assets in excess of €500m has increased (443 compared with 420), the number of financial institutions not disclosing any biodiversity indicators has fallen slightly (from 288 to 254, i.e. a drop from 69% to 57% in number). Expressed as a weighting of assets, the fall is much sharper (from 44% to 21%), which shows that the subject is being addressed by more and more large financial institutions, in particular AM.

The MSA is widely cited

The increase in submissions mainly benefited MSA-type metrics, which rose from 68 occurrences (CBF+GBS) to 94, representing 21% of financial institutions (including 46% of those reporting a metric) and 70% of total assets under management (and 87% of only those reporting an indicator).
This type of metric, which has the advantage of communicating on the subject in the form of an aggregate indicator, therefore corresponds well to the spirit of the decree. However, it should be emphasised that the various underlying methodologies using this metric involve strong conceptual and model assumptions that limit its interpretability.

Probably because of its generalist characteristics, this metric is used more by insurers and generic asset management companies than by specialist asset management companies (private equity, real estate).

It should be noted that the use of a metric does not mean that it is actually used to achieve an objective or to serve the biodiversity strategy. Thus, as emphasised in the qualitative section *above*, no concrete cases of use were identified, and trend analyses are rare.

PAI 7 on biodiversity: increasing uptake but limited use

The PAI 7 indicator rose from 9 occurrences to 22, representing 11% of financial institutions reporting on an indicator (3% in terms of assets under management). Private equity funds use this metric more than MSA (12 occurrences compared with 9).

In addition, it has been pointed out that, even when PAI 7 is calculated, supervised entities rarely choose to use it as part of their biodiversity strategy, whether they report on another indicator (such as the MSA) or not.

	Insurance			AM			Banks			Total		
PAI 7 vs. biodiv monitoring indicator 29 LEC	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
PAI 7 used as an indicator	0	0%	0%	17	6%	3%				17	4%	2%
Indicator submitted - PAI 7 not used	50	44%	76%	60	20%	71%				110	25%	72%
No indicators submitted despite PAI 7 production	20	18%	10%	65	22%	8%				85	19%	9%

This statistic tends to show that the PAI indicator is not identified by a significant proportion of financial players as being suitable for managing biodiversity of their portfolio . One possible explanation, apart from the difficulties in accessing the data, could be the conceptual difficulties involved in aggregating the metric at portfolio level, across all sectors, some of which have less material biodiversity issues.

Other indicators: a wide range of managers

The other typologies cover a wide range of realities, sometimes with porosity between categories, given the detailed analysis carried out:

For scores :

- Several players use a score that is a component of their overall ESG ratings, a specific sub-component relating to a theme (pollution), or a score provided by a service provider;
- However, the biotope coefficient per surface area, which is fairly well established in French regulations[67] , is rarely cited by property developers. Some property developers do, however, develop their own scores.

[67] Used in particular by the ALUR law, which proposes it for territorial coherence schemes (SCOT) and local town planning schemes (PLU).

For portfolio units :

- Portion of portfolio negatively exposed to biodiversity issues :
    - Share of companies subject to controversy or subject to a filter on biodiversity issues linking different criteria;
    - Portion of portfolio with very high impact or risk. The methodology for determining these risks and impacts is not always detailed but is often based on a proprietary analysis and/or with the contribution of a service provider, sometimes based on the ENCORE database. In some cases, the financial institution has only carried out an analysis at sector level, and has therefore shifted its exposure to sectors presumed to be at risk;
    - Share of turnover of portfolio companies involved in controversial activities: palm oil, pesticides, GMOs, etc;
- More rarely, we find parts of portfolios with positive exposure: eco-labelled products, assets (property in particular) with a biodiversity label such as Biodivercity, or simply companies with a biodiversity policy;
- Percentage of portfolio companies that have improved a given metric (typically the CBS in real estate).

These various proposals vary in ambition and framework. Most have the merit of enabling tangible identification of assets or companies at risk, which can then be used to support a proactive strategy, whether through commitment or investment/divestment.

For "physical" measures, cited only by AM:

- For real estate, the percentages of green areas, with or without direct reference to the CBS, are quoted;
- Indicator of net artificialisation resulting from decisions to build on land that is already artificialised or not;
- Water consumption, in m3 or "footprint" ;
- Pollution (tonnes of hazardous waste, see PAI indicator 9) ;
- For forestry, the potential biodiversity indicator (PBI), measured in hectares, is mentioned.

Other metrics :

- Several scales, based in particular on the assessment given by the ENCORE database, enable entities to assess the materiality of the issues by sector (very high/ high/low/very low);
- Some players propose an indicator for capturing information: number of companies that have responded to a questionnaire, number of employees for whom a diagnosis has been made, etc.
- Finally, a few 'monetary' indicators are mentioned, but as indicated above, it is difficult to assess the quality of the underlying methodologies.

Indicator for the National Biodiversity Strategy

In order to meet one of the objectives of the National Biodiversity Strategy, the number of companies that have reported a biodiversity indicator is provided below, both for the population above the €500m threshold and for the population as a whole.

	Insurance			AM			Banks			Total		
Communication of a biodiversity indicator (SNB)	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Pop. > 500m€	75	66%	84%	107	36%	77%	6	58%	22%	188	46%	79%
Ens. Pop.	86	38%	84%	108	17%	76%	6	9%	20%	200	24%	44%

As a reminder, last year's figures were as follows:

	Insurance			AM			Banks			Total		
Communication of a biodiversity indicator	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Pop. > 500m€	59	55%	73%	72	26%	49%	1	3%	2%	132	31%	56%
Ens. Pop.	66	53%	71%	72	11%	48%	1	2%	2%	139	17%	56%

In practice, 9 insurers and 1 asset management company below the threshold reported on a biodiversity indicator on a voluntary basis. The AM is a real estate AM reporting on the CBS, while the insurers are members of larger groups.

3.6. Other aspects Art. 29 LEC

Two other themes were investigated with a lower degree of granularity: the proportion of assets taking ESG aspects into account and commitment statistics (for asset management companies). They are presented in this section.

3.6.1. Overall proportion of assets taking ESG aspects into account

This indicator has been expanded by both the ACPR and the AMF this year compared with last year, based on the "Article 8" and "Article 9" classifications of the SFDR regulations[68] . The submissions were as follows:
On the one hand, the insurers' submissions were limited to Art. 8/9 assets, distinguishing between euro funds and unit-linked funds, but without asking for the initial overall data (share of ESG assets under management);
On the other hand, AM submissions kept this initial data and then asked for Article 8 and 9 assets under management, without asking for the breakdown to be equal to the total, which left the door open to ESG assets under management classified as neither 8 nor 9.

The following overall statistics were produced for the population of companies with a size of over €500 million.

3.6.1.1. For insurers

The breakdown of assets declared in Articles 8 and 9 of the SFDR between euro funds (€) and units of account (UA) is as follows:

Breakdown of insurance assets	Funds €	UC Funds	Total
Amount declared (m€)	965 691	372 181	1 337 872
% Art. 8 (weighted declared assets)	67%	46%	61%
% Art. 9 (by weight of declared assets)	0,3%	4,5%	1,5%

As a reminder, last year's statistical analysis showed that insurers had an average ESG share of 83%, weighted by assets under management. The following conclusions can be drawn:

- Unit-linked funds are in the minority, representing 28% of the total declared;
- The contrast in behaviour between euro funds and unit-linked funds is significant: while two-thirds of euro fund assets are declared under Article 8, showing that insurers generally promote ESG characteristics, only 0.3% of assets are declared under Article 9, which tends to show that very few insurers commit their general assets to sustainable investment.
- Of unit-linked assets, "only" 46% are Article 8, but 4.5% of assets are classified as Article 9 SFDR. One possible explanation could be that insurers are following the specific aspirations of investors in this area, either because they are not interested in ESG issues (hence the lower statistics for Article 8 funds) or, on the contrary, because the subject is important, hence the higher representation of "Article 9" funds, which are likely to make a more substantial contribution through their "sustainable investment" vocation.

In the absence of further investigations and due to persistent data quality issues, this hypothesis remains to be confirmed.

Overall, the results are in line with the analyses already carried out on the classification of SFDR funds: widespread use of "Article 8" funds (although with lower levels of assets under management than last year's "ESG assets under management", which may tend to show that the change to the submission formalism allows for a minimum

[68] There are no minimum standards associated with the notion of taking account of environmental, social and governance quality criteria. For example, a financial institution could give a 100% rating with a system that simply applies a very light exclusion filter (controversial weapons, controversies, tax havens). While the SFDR categories do not guarantee a minimum level of quality (particularly for Article 8 funds), they do have the merit of providing information that is easy to collect and consistent with European regulations.

standard of quality), and "Article 9" funds which remain at limited levels (less than 5% of assets under management).

3.6.1.2. For Asset Managers

The lack of reporting of amounts by AMs makes the submission even more vulnerable to data quality concerns relating to the submission of data expressed as a percentage. For example, the aggregate statistics suffer from various quality problems: the sum of Article 8 and 9 assets under management is sometimes greater than the total ESG assets under management (63 AM occurrences) and the overall sum is greater than 100%.
Nevertheless, the following statistics have been compiled for the population in excess of €500m, weighted by assets under management.

Breakdown of assets under management	ESG	# 0%	# 100%	% Art. 8	% Art. 9	# 100% 8+9
GEN	73%	7	15	77%	1,0%	10
PE	70%	4	35	35%	11,5%	12
RE	63%	4	11	42%	11,9%	8
OTH	50%	4	4	38%	3,9%	2
Total	**68%**	**19**	**65**	**65%**	**2,9%**	**32**

The statistics produced show an apparently inconsistent situation for generalists, where the rate of "Article 8" assets is higher than overall ESG assets (77% vs. 73%). This is due to the data quality issues mentioned above.

The following lessons can be drawn:

- Total ESG assets stable compared with last year (68% vs. 69%).
- Similar overall proportions as for insurers (two-thirds Article 8 funds, less than 5% Article 9 funds).
- However, the situation varies according to asset class, with a high proportion of Art. 8 funds for generalists (77%) and only 1% of Art. 9 funds, and a significantly higher proportion of Art. 9 funds for specialist asset classes (over 10% for private equity and real estate).
- The "Other" statistic can be explained by the presence of "multi-activity" asset management companies that have chosen to classify themselves as "Other" rather than generalists, but also by asset management companies in specific asset classes.
- There are 19 submissions at 0% (17 last year), including some entities working on specific asset classes (securitisation, derivatives). In this respect, the comments made last year are reiterated: the asset class in question does not automatically mean that it is impossible to apply an ESG approach. Thus :
    - Technically, there is no obstacle to adding extra-financial filters to securitised financial instruments. It is therefore a matter of choice for the securitisation entities and/or their shareholders. The introduction of filters can send an incentive message about the expected underlying assets to all the business lines affected.
    - As far as derivative contracts are concerned, insofar as the contracts clearly identify a single underlying, there is no impossibility or even any technical difficulty in implementing a "classic" extra-financial approach. Furthermore, with the rise of extra-financial indices, it is also possible to apply an extra-financial policy to index-based instruments.
- Many asset management companies (65) state that 100% of their assets under management take ESG aspects into account. However, "only" 32 of them now have 100% of Article 8 or 9 funds, which again shows a difference in ambition between applying an ESG approach and structuring this approach to promote it as provided for in Article 8 of the SFDR regulation.

3.6.2. Commitment (analysis of AMs)

The AMF and ACPR appendices require statistics on commitment, which are structured as follows:

- Percentage of companies involved in dialogue on ESG issues.
- Number and proportion of shareholder proposals and votes at general meetings on environmental, social and governance issues.
- There is a minor difference in structure between the AMF and the ACPR, where the ACPR asks for the value of investments in companies that have been the subject of a dialogue. In addition, the ACPR asks for the number of companies involved in a dialogue, whereas the AMF asks for the denominator of the share of companies.

It is very difficult to assess the quality of a commitment mechanism on the basis of quantitative indicators, given that the statistics on submissions, votes or dialogue say nothing about the ambition of the underlying subject or even its orientation[69] . A qualitative analysis focusing on the theme of biodiversity is presented in section3.5.3.2 , while this section provides simple descriptive statistics by theme.

As last year, the analysis focused on asset management companies, which are at the top of the league table in terms of assets under management, and vote higher than insurers.

Unlike last year, it was decided to carry out the analysis directly on the basis of bookings, without reweighting on the basis of assets under management, since size is not necessarily a guide to the level of activity. The results, broken down by type of asset management company with more than €500m in assets under management, are as follows:

Deposits	GEN	PE	RE	OTH	Total	N-1
# ESG deposits	18 052	152	9	124	18 337	
# deposits E	131	6	1	52	190	183
# deposits S	193	23	2	69	287	326
# deposits G	16 218	123	871	3	17 215	9 674
ESG vs. E, S and G	1 510	-	- 865	-	645	

Votes	GEN	PE	RE	OTH	Total	N-1
# ESG votes	337 004	4 452	40 740	37 711	419 907	
# votes E	2 534	62	258	220	3 074	2 687
# votes S	19 322	92	574	2 262	22 250	17 266
# votes G	337 096	4 286	39 043	35 220	415 645	336 767
ESG vs. E, S and G	- 21 948	12	865	9	- 21 062	

The main findings are as follows:

- As last year, there are reporting errors (the sum of E, S and G deposits and votes is not always equal to the ESG sum declared). This may be due to confusion between the proposals and vote fields (particularly

[69] For example, an investor could approve or reject a climate transition plan presented by a company on the basis of an analysis of its ambition, an element that cannot be captured quantitatively. More cynically, we could imagine a player convinced of the economic necessity of embarking on a process of oil expansion counting his vote in favour of the project (or against another investor's resolution calling for it to be halted) as an environmental issue.

for real estate AMs in the ESG field), or to certain fields being submitted at 0. Some unexplained cases could be linked to resolutions which the actor considered to be ESG but not specifically E, S or G.

- Even more so than last year, there was **a very strong preponderance of "G" resolutions** (97% of submissions and 94% of votes). It could be argued that certain resolutions (such as the renewal of corporate governance) are a "natural" part of the life of a company and of a general meeting, regardless of any specific extra-financial considerations, unlike environmental issues in particular. This illustrates the difficulty of qualifying a resolution as "ESG".
- There are slightly more S-type proposals than E-type proposals (287 compared with 190) and trends in these areas are stable overall.
- The generalist entities are the largest providers of environmental resolutions (69% although they represent 44% of the sample), ahead of the "Other" AMs (27% of deposits for 7% of the sample). The filings counted are made by two AM, which in practice are multi-activity entities, which from ADEME's point of view could have been categorised as generic.
- There is little resolution proposal activity for private equity funds (6 environmental proposals and 23 social proposals). In practice, only 4 private equity funds report ESG resolutions proposals. Resolutions at General Meetings are not common practice in the non-listed sector, where the company's CSR performance is reviewed annually by the Supervisory Board/Board of Directors.
- The real estate AM, which do not invest in companies, logically contribute very little (1 environmental resolution and 2 social resolutions, the work of a single AM).

In terms of the volume of resolution proposals, four entities report more than 20 environmental resolution proposals. For one AM, the number of votes is lower than the number of proposals, which may raise questions about the reliability of the figures.

Finally, with regard to dialogue statistics, it should be emphasised that there is a very wide disparity in submissions, with many players (61, including 42 private equity, 11 real estate and 8 generalist) declaring 100% of their dialogues to be thematic, and 47 entities declaring 0%.

4. Tracking submissions

4.1. Information Art. 29 LEC

An analysis was carried out on the number of *data points* filled in by entity on the indicators linked to decree 29 LEC, i.e. appendix D of the insurers' submissions and appendix E of the AMs and banks' submissions. This analysis does not take into account the fact that some data is conditional on others (for example, there is no need to submit an associated phase-out date when no coal phase-out strategy is declared) and that there are free metrics for the climate or biodiversity sections. The statistics take into account the 0 submissions as "real" submissions. The results by type of entity, for the population identified as greater than €500m, are as follows:

Publication indicators 29 LEC	**Insurance**	**AM**	**Banks**	**Total**
Population	113	295	34	442
Of which number of submissions at 0	*3*	*0*	*0*	*3*
Average % (weight #)	58,7%	33,4%	21,9%	*38,8%*
Average % (weighted by AuM)	**65,0%**	**45,4%**	**23,2%**	***51,1%***

As a reminder, last year's results were as follows:

Publication indicators 29 LEC	**Insurance**	**AM**	**Banks**	**Total**
Population	107	281	9	397
Of which number of submissions at 0	*6*	*5*	*2*	*13*
Average % (weight #)	48,6%	38,3%	7,7%	*37,6%*
Average % (weighted by AuM)	**52,2%**	**64,5%**	**1,9%**	***59,2%***

There were fewer cases where the entity did not submit any data (3 compared with 13). There was an increase in the number of points submitted by insurers (65% compared with 52% last year) and banks (just over 20% compared with less than 10% in terms of number or assets under management.

The submissions from AMs highlighted a particular "dilution" effect due to the addition of fields: the addition of additional metrics for climate and biodiversity (i.e. 24 additional data points), the expansion of the exclusion section with the distinction between conventional and non-conventional hydrocarbons and reporting on the exclusion of new capacities (7 additional data points, 3 of which are optional), and specific fields for real estate activities (4 data points). In the end, the AMs submission totalled 101 data points, compared with 65 for the insurers.

The highest submission rates are over 90% for insurers (with two cases at 100%, but which include numerous submissions at 0 and comments), 70% for AMs and 50% for banks.

Submission statistics by type of asset management company with assets in excess of €500m are presented below. They show that the submission rates for generic asset management companies are better than for other types of asset management company.

Category	**GEN**	**PE**	**RE**	**OTH**	**Total**
Publication information (#)	129	93	52	21	295
Average % (weight #)	37,1%	30,5%	30,5%	31,2%	33,4%
Average % (weighted AuM)	**50,0%**	**35,0%**	**40,7%**	**34,1%**	**45,4%**

Detailed Excel tables for each data point have been drawn up for insurers and asset management companies and can be downloaded from the CTH website.

4.2. PAI SFDR information ("Appendix G")

4.2.1. Summary

There is a wealth of information on the PAI SFDR annexes (74 indicators representing around 300 data points). It has the advantage of having definitions that are broadly consistent with a normative system via the European Q&As, which can help to clarify interpretation issues over time.

As was the case last year, we have chosen to focus the statistical analysis on greenhouse gas emission submissions (PAI 1 to 3), while the biodiversity indicator (PAI 7) and the fossil fuel indicator (PAI 4) have been dealt with in the dedicated section.

In the appendix to the report, we present summary tables for insurers and asset management companies of submission rates for all mandatory and optional PAI indicators in Excel format.

The submission rate for these indicators is generally good. It seems difficult to give a physical interpretation to the GHG figures obtained. On the other hand, with regard to the footprint and intensity indicators, it is to be hoped that, in relation to the erratic variations observed today, over time a relevant analysis of variation will be possible.

With regard to the PAI 7 biodiversity indicator, which is based on concepts that are not easy to grasp (vision of sites by company, notion of proximity, notion of negative impact of activity), the few elements analysed tend to show that the approaches are potentially heterogeneous, with very low coverage rates focused on a sample at stake, which gives artificially very high rates, conservative approaches ignoring the aspect of negative activity to focus on location alone, and even sometimes the communication of other indicators as proxies rather than filling in the gaps.

The task of ensuring the reliability of the data was made more complex by the fact that it is not required to append the PAI SFDR *report* to its Art. 29 LEC report, as this practice has only been observed from time to time.

4.2.2. Context

Entities subject to the SFDR regulations are required to submit a dedicated appendix (appendix G) on indicators relating to *principal adverse impacts* (PAI). The appendix is structured according to :

- Whether or not indicators are mandatory;
- The type of underlying asset (corporate, sovereign, real estate) ;
- The subject of the indicator: environmental, social, human rights, anti-corruption and governance issues.

Four fields of information are requested for each indicator:

- Its value for the reference year n ;
- Its value for the previous reference year n-1 ;
- Contextual explanations, for example on the level and variation of the indicator, or on how it is calculated;
- Information on the measures taken, planned measures and targets defined for the next reference period, for example a reduction/progression target for the indicator at a certain level.

This means that a total of 74 indicators, each with 4 descriptive fields, i.e. at least 296 data points[70] can be filled in.

[70] PAI 5 (renewable vs. non-renewable energy) and PAI 6 (energy consumption by sector) in practice require subdivided information: the ACPR provided for a single field, while the AMF this year divided the fields, bringing the number of data items to 332.

For reasons of time, it was not possible to investigate all the fields. The analysis carried out was guided by the following principles:

- Global monitoring of submission statistics ;
- Focus on a few indicators considered to be priorities or symbolic:
    - Greenhouse gas emissions for scopes 1, 2 and 3
    - For AM, PAI 5 on the share of renewable/non-renewable energy production and consumption
    - The biodiversity indicator (PAI 7) on the proportion of investments in companies whose activities have a negative impact on biodiversity-sensitive areas.

In addition, as some of the indicators overlap with the information required by Article 29 of the LEC (PAI 4 on fossil fuel content and PAI 7 on exposure to companies causing damage to biodiversity-sensitive areas), dedicated/complementary focuses have been *included above*.

4.2.3. Generic submission statistics

The ACPR and AMF submission formats were similar with the exception of a few introductory fields and the subdivision of PAI 5 and 6 into as many data fields as necessary on the AM side .[71]

The submission statistics, **applied to the population as a whole**, are as follows. A state is considered to have been submitted when at least one item of data associated with that state has been submitted .[72]

	Insurance			AM			Banks			Total		
PAI submission Art. 4 SFDR	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
G1	101	45%	87%	198	32%	83%	14	21%	70%	313	31%	82%
G2	84	37%	82%	165	26%	80%	12	18%	66%	261	26%	80%
G3	84	37%	84%	149	24%	79%	11	17%	66%	244	27%	80%
No submission	124	55%	13%	430	68%	17%	52	79%	30%	606	66%	16%

It should be noted that no cases of G2 or G3 submissions without a G1 submission were identified, which would not have complied with SFDR regulations.

The rates of G1 submissions not weighted by assets under management are logically fairly low (below 50%) due to the large number of small players (particularly AM). However, a large proportion of assets under management is represented (over 80% for insurers and asset management companies). The "loss" resulting from the switch to optional PAI G2 and G3 is fairly limited, in terms of assets under management (less than 5 points for insurers and asset management companies), and a little more substantial in terms of the number of entities (around -8 points)

The AM model includes a field specifying whether the submission is mandatory or voluntary. Of the 198 submissions, almost half (94) are identified as voluntary. These represent 19% of assets under management. These were mainly private equity funds (47) and generalist funds (31), followed by real estate funds (13) and other funds (3).

The submissions by type of AM are presented below and do not highlight any specific behaviour, apart from a lower tendency for real estate AMs to remit the G3 report, which focuses on optional social and governance PAIs and, unlike the G1 and G2 reports, has no specific indicator for real estate.

[71] On the insurers' side, the players provided textual data in order to get around the difficulty of having a single field (for example: "*A: xx GWh/€M turnover B: yy GWh/€M turnover*").
[72] In practice, however, cases were identified where the status of the field was set to "Submitted" with no data present, and conversely where the field was set to "Not submitted" but with data present. These fields were therefore not included in the analysis.

% #	GEN	PE	RE	OTH	Total
G1	32%	32%	30%	33%	32%
G2	27%	25%	28%	27%	26%
G3	26%	25%	13%	27%	24%
No submission	68%	68%	70%	67%	68%

4.2.4. Focus on certain PAI

4.2.4.1. Greenhouse gas emissions (GHG)

Financial institutions subject to SFDR PAI reporting are required to submit the scopes 1, 2 and 3 emissions of their portfolio companies[73] . The following table describes the structure of the submissions observed, for the entire population that submitted at least one PAI data item.

	Insurance			AM			Banks			Total		
GHG communication	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.	#	% (#)	weight %.
Scope 1 Scope 2 Scope 3	86	85%	99%	155	78%	96%	10	71%	94%	251	79%	97%
Scope 1 Scope 2	0	0%	0%	1	1%	0,0%	0	0%	0%	1	0%	0,0%
Scope 1 Scope 3	0	0%	0%	2	1%	0,0%	0	0%	0%	2	1%	0,0%
Scope 2 Scope 3	0	0%	0%	4	2%	0,8%	1	7%	2%	5	2%	0,6%
Scope 1	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Scope 2	0	0%	0%	1	1%	0,0%	0	0%	0%	1	0%	0,0%
Scope 3	2	2%	0,3%	0	0%	0%	0	0%	0%	2	0%	0,1%
Submission to 0	2	2%	0,0%	33	17%	3%	3	21%	4%	38	13%	2%
NC	11	11%	1%	2	1%	0%	0	0%	0%	13	3%	0%

A large majority of the entities submitting PAI, constituting almost the entire population in terms of assets under management, declare the emissions of the 3 scopes of their portfolios (79% representing 97% of assets under management). Surprisingly, in 8 out of 11 cases, scope 1 is missing while scopes 2 and/or 3 are reported.

Cases where the 3 scopes were not reported were investigated. For insurers, the two cases of Scope 3 reporting are linked to players who choose to report all the emissions financed in Scope 3 (perhaps considering that these are emissions from their own inventory, to be positioned in category 3.15 "investments" according to the *GHG protocol*). For AM, several scenarios have been identified where information is available:

- On the failure to report Scope 1: one AM indicated that it had reported 0 because it had a negative amount of Scope 1 emissions due to a forestry investment in a fund that generates biogenic carbon capture. For three others, there is data for N-1 and not for N, which tends to indicate an operational error;
- On the non-reporting of Scope 2: one AM states that it reports Scopes 1 and 2 in aggregate within Scope 1;
- On the failure to report scope 3: one AM said that it had too little data and that it was too heterogeneous on this scope (which is the case for most AM that mention these limits but still report an amount).

In addition, 38 players, mainly AM, gave a '0' submission, which is not very credible and is therefore similar to no submission at all. This number is slightly up on last year (33).

These statistics, which may suggest a relative homogeneity of practices, should not obscure the major disparities, particularly with regard to the methodologies used to assess Scope 3: extended vision, vision limited to first-tier suppliers, use of estimates to fill in gaps in data vs. value of 0 in the absence of information, etc. In addition, the treatment of multiple counts across the different scopes may vary considerably from one player to another (no counting, in-depth analyses of value chains, summary division by 3, etc.).

[73] This therefore concerns category 3.15 of the financial institution's emissions (emissions linked to investments) according to scopes 1, 2 and 3 of the companies invested in.

Armed with these warnings, an aggregate measurement of the 'carbon footprint' of the various players was carried out:
It is also highly likely that, despite the supervisors' instructions to report in tCO2e, the amounts reported are expressed in several units (ktCO2e, mtCO2e), without it being easy to identify these anomalies.

	Insurance		AM		Banks		Total	
GHG communication	mtCO2e	%	mtCO2e	%	mtCO2e	%	mtCO2e	%
Aggregate Scope 1	35	8%	203	6%	1,3	9%	239	7%
Aggregate Scope 2	7	2%	53	2%	0,4	3%	61	2%
Aggregate Scope 3	380	90%	2 948	92%	12	88%	3 340	92%
Total	422	100%	3 204	100%	13,6	100%	3 640	100%

The same structure is reflected by type of player, with scope 1 between 5 and 10% (between 10% and 20% last year), scope 2 below 5% (as last year) and scope 3 representing around 90% (between 75 and 90% last year).

The overall figure (3.6 GtCO2e) represents almost 7% of annual global emissions. This figure should not be taken into consideration given the multiple counting of emissions between scopes and also between players, as a fund managed by an asset management company may be held by an insurer or a management mandate from a bank, with several subsidiaries of the same group reporting the group's total emissions, etc.

Changes in the scope of reporting entities as well as other factors (changes in units, methodology) lead to frequent discrepancies between the data for year n-1 submitted in 2024 (therefore relating to the 2022 financial year) and the data for year n submitted in 2023 (relating to the 2022 financial year). Thus for 15% of the entities that submitted the amount of Scope 1 emissions in 2024 (year n-1) and in 2023 (year n), the figures differ. The statistic rises to 55% when total emissions are considered.

For information purposes, we show below the n-1 values carried forward to 2024 and the n values carried forward to 2023. Only the data for banks is stable, with emissions from asset management companies and insurers falling by around 1 GtCO2e each - while their submission perimeters have increased by 12% and 26% respectively.

	Insurance		AM		Banks		Total	
Value at 31.12.2022 submissioned	2023	2024	2023	2024	2023	2024	2023	2024
Aggregate Scope 1	139	41	718	368	0,9	1,2	858	409
Aggregate Scope 2	31	7	101	73	0,3	0,3	132	80
Aggregate Scope 3	1 207	377	2 788	2 136	8,4	8,4	4 003	2 522
Total	1 376	425	3 607	2 577	9,5	9,9	4 992	3 012

This situation is not problematic for short-term trend analysis because of the presence of n-1 data in n reporting, but it does severely limit the prospects for constructing medium- to long-term time series.

We then make comparisons with the data for year n-1, submitted in 2024. This comparison shows an overall increase of 20.8% in asset portfolio issuance, mainly due to AM.

	Insurers			AM			Banks			Total		
mtCO2e	2024	2023	Change (%)	2024	2023	Change (%)	2024	2023	Change (%)	2024	2023	Change (%)
Aggregate Scope 1	35	41	-13,0%	203	368	-44,8%	1,3	1,2	5,3%	239	409	-41,5%
Aggregate Scope 2	7	7	-6,2%	53	73	-26,7%	0,4	0,3	16,2%	61	80	-24,6%
Aggregate Scope 3	380	377	0,6%	2 948	2 136	38,0%	12,0	8,4	42,7%	3 340	2 522	32,4%
Total	422	425	-0,8%	3 204	2 577	24,3%	13,6	9,9	37,3%	3 640	3 012	20,8%

Focus on Insurers

Insurers show relative stability. According to the amounts declared, 64% of insurers have seen emissions in their portfolios fall and 36% rise.

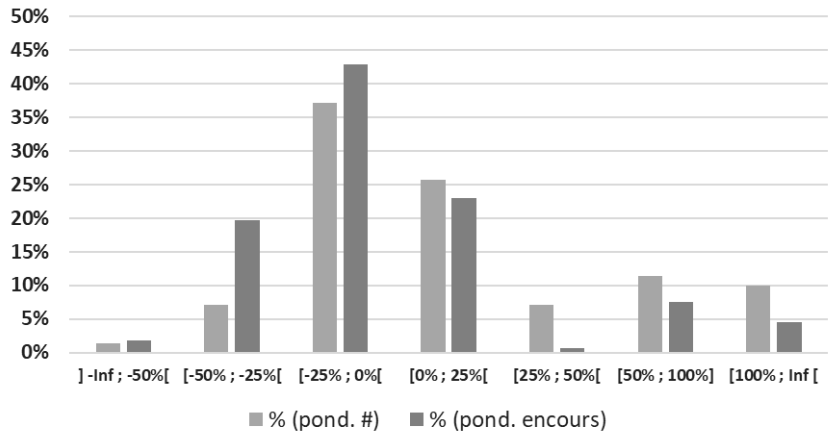


Figure 17: Change in GHG emissions by insurers (over €500m) between 2022 and 2023 (2024 submission) - Classification by number of entities and assets under management

The explanatory comments investigated on a few large entities show that several cases of significant increases are linked to an increase in the coverage rate of the issuers in the portfolio, or a change of service provider (which may influence the data used to calculate EVIC, which is used as the basis for determining the proportion of emissions attributable to the[74] portfolio). However, situations where emissions have fallen are not explained. In particular, no link is made with any collection/decollection effects.
It should be noted that in its Article 29 LEC report, Abeille Assurances carries out an attribution analysis of changes in carbon intensity as a function of various factors: price effect, purchase/sale, hedging, changes in data, etc. This type of approach is particularly relevant for discerning the various complex effects of changes in indicators, and could be extended to all PAI.

Focus on AM

The same breakdown applied to AMs gives very mixed results. Emissions from the portfolios of 19% of AMs representing 35% of assets under management would more than double between the 2022 and 2023 financial years. The assets in the portfolio that grew by more than 100% would therefore be larger than those that grew by between 0 and 100%. The same fat-tailed distribution phenomenon is observed, although to a lesser extent, for emission reductions greater than 50%.

[74] This illustrates the difficulties of variability of this key data for financial carbon accounting, beyond its variability from one year to the next, highlighted by other studies, cf. Thomä et al. 2020, figure 3.

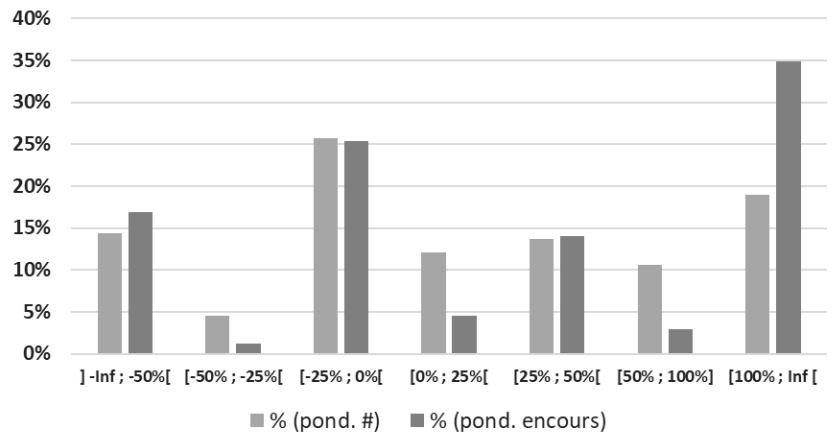


Figure 18: Change in GHG emissions from AMs (over €500m) between 2022 and 2023 (2024 submission) - Classification by number of entities and by assets under management

The explanatory texts provided and analysed for a number of large entities underline more or less the same reasons (changes in coverage rates, service providers, methodologies - although in this case the concrete changes are not explained). Several comments emphasised the link between the size of issues and the size of assets under management.

Other GHG indicators

It should be remembered that SFDR requires the carbon footprint and carbon intensity of portfolios to be reported, respectively the emissions divided by the value of the investments and the average of the companies' emissions to turnover ratios weighted by the company's share of the portfolio. Even if the presence of n-1 variation data is much more present than last year, investigations have been limited given the reservations about the reliability of these data (see below).

Carbon footprint:

Applying a simple rule of three enables us to check the consistency of the information provided by the entities on the carbon footprint in relation to the size of the balance sheet or the assets under management declared. While it is logical not to arrive at 100%, given (i) the divergence between the balance sheet and investments for insurers and (ii) the incomplete coverage of the carbon footprint calculation for all the entities, the application of this check nevertheless led to the observation of a significant number of discrepancies (ratio between the "implicit" asset resulting from the rule of 3 and the assets under management or balance sheet used for the study close to 0 or much higher, sometimes by a factor of 10, than 100%). This may be due to unit problems, but also to errors or other factors that cannot be anticipated. As a result, it is difficult to exploit the carbon footprint information further.

An analysis of the comments was nevertheless carried out on 10 AMs for which either a fall in the indicator of more than -90% over one year (3 AM) or an increase of more than 1000% (7 entities) was observed. Apart from one typo (confusion between two PAIs), there were only three references to a change in method, with one entity showing an increase of +1500% even specifying that it had carried out a *pro forma* calculation, but without explaining the variations.

In order to obtain an illustrative overall view, the recomposition carried out in last year's report based on the greenhouse gas emission aggregates presented above in relation to the total assets under management/balance sheet size has been repeated, with the following results (it should be remembered that the scope of submitters changed between the two financial years):

Carbon footprint (tCO2e/€ invested)	Insurance		AM		Banks		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Scope 1	18	55	52	183	16	13	41	135
Scope 2	4	12	14	26	5	5	10	21
Scope 3	198	479	756	711	149	127	572	619
Total	220	546	822	920	169	145	623	775

A priori, this approach biases the values observed downwards, particularly for insurers (on a balance sheet basis and not for investments) and more generally for everyone (the "dilution" effect associated with unhedged assets). However, we note that only 17% of asset management companies with a submission strictly greater than 0, representing 23% of assets under management, have an amount greater than 822, which may seem inconsistent.

The levels between 2023 and 2024 remain of the same range, with the same findings: significant divergences, with a higher footprint for asset management companies than for insurers (which may be explained in particular by an investment vs. balance sheet dilution effect on the insurer side), and for insurers than for banks (where the explanation seems less obvious). It is therefore difficult to interpret these figures further.

Carbon intensity

The carbon intensity of portfolios is the weighted average of the ratio per invested company between GHG emissions and turnover. As detailed in section 3.1.4, taken across sectors and companies that are subject to strong non-climatic variations (inflation, ancillary activities), this indicator has little interpretative meaning. Given the doubts about the reliability of the metrics, this indicator has not been studied beyond a partial analysis of the explanations provided by the entities.

The same highly heterogeneous variations were observed. Of the two private equity funds showing a decrease of more than -90% and the 6 showing an increase of more than +1000%, an explanation is given for a change in scope or a change in methodology. One private equity fund explained that since new companies invested in were in the process of being launched, sales were still very low even though the issuing activity had already started, which explains the very high rates. The other funds in this sample of extreme variations did not provide any analysis.

4.2.4.2. PAI 5 Energy production and consumption for AMs

Summary

The indicators are frequently reported, but there are high rates of 0% reporting (20% for consumption, 46% for production). In the latter case, this may be explained by a specific asset class (typically real estate), a portfolio (e.g. unlisted) with no energy production companies, particularly non-renewable energy companies, or a lack of information.

The rates obtained appear difficult to interpret due to the heterogeneity of the methodologies (particularly concerning the basis on which to construct the indicator: "relevant" assets alone or total assets under management) and the very construction of the indicator, which is an average weighted by assets under management without taking into account the levels of energy consumption from one company to another.

Several AMs report variations in scope and methodology from one year to the next, which makes it impossible to carry out a relevant trend analysis. One AM carried out a particularly relevant analysis by type of effect (market effect, management actions, data updates). This showed that the main effect of variation was not the updating of data (i.e. the "real" change in the real economy), but the market effect.

Lastly, no systematic analysis was carried out, but no objectives or targets for these indicators were identified in any of the samples, even though the AMs frequently highlight the actions taken or the anticipated transition, which should lead to a reduction in these indicators over the next few years.

Analysis in detail

They are requested respectively :

- The "*share of energy consumption of investee companies from non-renewable energy sources compared to that from renewable energy sources, expressed as a percentage of total energy sources*";
- The "*share of energy production of investee companies from non-renewable energy sources compared to that from renewable energy sources, expressed as a percentage of total energy sources*".

In other words, two separate sets of data. This year, the AMF included two boxes in its reporting, one for each item of data, which made it possible to use the information received for the AM.

It has been pointed out that the strict wording of the indicators may give the impression that ratios of non-renewable to renewable energy must be calculated (for example, if the energy consumption mix is 80%/20%, enter 80/20 = 4 and not 80%). However, as this approach gives highly variable results (potentially up to infinity in the absence of renewable energy production/consumption), in practice the place seems to have unanimously favoured a more intuitive approach of "non-renewable share" in the energy mix, as no value higher than 100% has been noted (apart from one corrected error).

The results obtained for each indicator are presented below in the form of "moustache boxes". The consumption indicator was submitted by 98.5% of the AMs that submitted at least one PAI, and the production indicator by 98%. However, the rate of zero submissions is high: 20% for consumption and 46% for production.

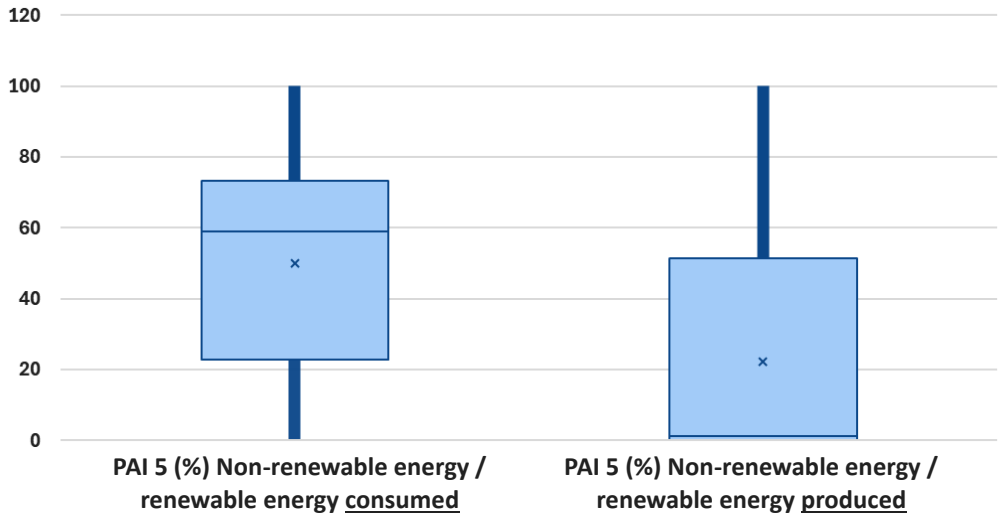


Figure 18: Distribution of AMs according to their ratios of non-renewable energy to renewable energy consumed and produced (PAI 5)

The average rate of consumption from non-renewable energy sources is around 50%, pulled down by the 0 submissions. The median is therefore higher, close to 60%.

In terms of production, the very high 0 submission rate 'crushes' the distribution, with a median very close to 0%, and a 3rd quartile (75%) of around 50%.
It would seem inconsistent with the overall European energy mix to deduce from these elements that the average non-renewable/renewable energy mix of the portfolio of companies financed would be around 50%/50% for consumption and 20%/80% for production. Various explanations can be given, which may affect the interpretability and comparability of the indicators between entities:

- The construction of the indicator may be subject to dilution effects, particularly with regard to production[75] . In practice, both methods (ratio on relevant assets and on total assets) are observed in view of the comments;
- As the indicator is weighted by the weight of investments and not by the size of production or energy consumption, it presents a distorted view of the underlying economy;
- As far as consumption is concerned, it may be easy to calculate a high percentage on a company that buys certificates relating to decarbonised energy. In this respect, the treatment of nuclear power, which is decarbonised but non-renewable, is potentially not uniform;
- There may be problems collecting the data, as the CSRD - which requires consumption figures - is not yet in force;
- There may be a crushing effect on the absence of detection of submissions in percentages and not in points;
- Finally, on a more ad hoc basis, some players may have confused the non-renewable rate with the renewable rate.

The graph below shows the correspondence between consumption (abscissa) and production (ordinate) submissions.

[75] For example, if the energy production sector represents 20% of the portfolio and is 80% non-renewable, enter 20%*80% = 16%.

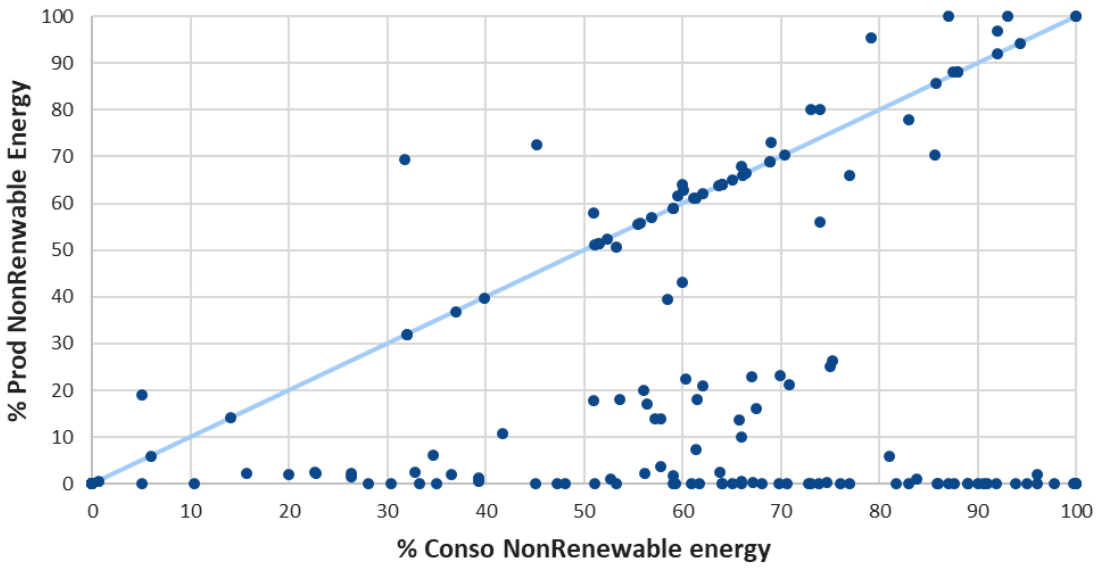


Figure 19: Comparison of consumption and production of non-renewable energy by player

The greatest number of submission to 0 for production can be seen in the points at the bottom of the graph. A non-negligible number of points are present on the identity line, showing that some players would have a single data duplicated twice on consumption and production respectively.
Finally, most of the points are below this identity curve, which is consistent with the observation that the average non-renewable consumption indicator is higher than the average non-renewable production indicator.

4.2.4.3. PAI 7 Biodiversity

Summary :

Last year's analysis of PAI 7 Biodiversity was repeated, with broadly similar findings: this is one of the PAIs on which players earn the most, but the distribution is particularly spread out, especially among insurers, where there are several extreme values (4 insurers and 1 asset management company with a rate of over 90%, and over 100 asset management companies with zero value).

This characteristic seems to be explained by different underlying approaches. On the one hand, some players (in practice underlying service providers) produce the indicator solely on the basis of the sub-perimeter of sectors considered to be impacted, with a conservative approach in which it is sufficient for one of the company's assets to be in a sensitive area for the company to be considered as having a negative impact, since it operates in an impact sector, and for the entire associated financial position to feed into the PAI indicator. Other players/providers seem to apply the relevant exposures to all positions regardless of sector, and sometimes rely solely on the notion of controversy or low biodiversity score to consider the presence of a "negative impact". Some players switched from one approach to the other between 2022 and 2023, as evidenced by the spectacular drop in rates (from over 80% to less than 1%). The few analyses of the reports carried out showed that this indicator was not used for steering purposes, as detailed in the biodiversity section (see 3.5).

Analysis details

The definition of the mandatory biodiversity indicator is as follows: "*Share of investments made in companies with sites/establishments located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas*".

This definition is complex to implement because it requires :

- Determine whether the invested company has sites/establishments located in or "near" biodiversity-sensitive areas;
- To determine whether the activities of the invested company have a "negative impact" on this area.

These conceptual difficulties are compounded by the following technical issues:

- Definition: all investments in the company are taken into account, rather than a *pro rata* share of activities with a negative impact, for example.
- Basis: does the figure given relate to all investments or only to the sub-set covered?
- Formalism: the figure is given as a percentage. Does 0.2 mean 20% or 0.2%?

With this background in mind, the results obtained for this indicator are as follows, based on financial institutions for which at least one PAI submission was observed, whether mandatory or voluntary:

Indicator PAI 7 Biodiversity	**Insurance**	**AM**	**Banks**	**Total**
Publication information (#)	86	195	13	294
% share	*85,1%*	*98,5%*	*92,9%*	*94,8%*
% assets under management	***98,5%***	***99,4%***	***98,3%***	***99,1%***
Of which number of submissions at 0	9	104	6	119
% share	*10,5%*	*53,3%*	*46,2%*	*42,3%*
% assets under management	*2,5%*	*9,9%*	*17,1%*	*7,7%*
Average % (weight #)	13,6%	4,3%	6,7%	*6,7%*
Average % excluding 0 (weight #)	15,1%	9,2%	12,5%	*10,9%*
Average % (weighted assets under management)	**23,4%**	**4,6%**	**11,0%**	***10,6%***
Average % excl. 0 (weighted assets under management)	24,0%	5,1%	13,2%	*11,2%*

This indicator, which is part of the G1 report, is almost always filled in. However, its distribution is unusual, with many extreme submissions, as shown below (categories above 20% have been checked manually to ensure that they are not exaggerated by a factor of 100).

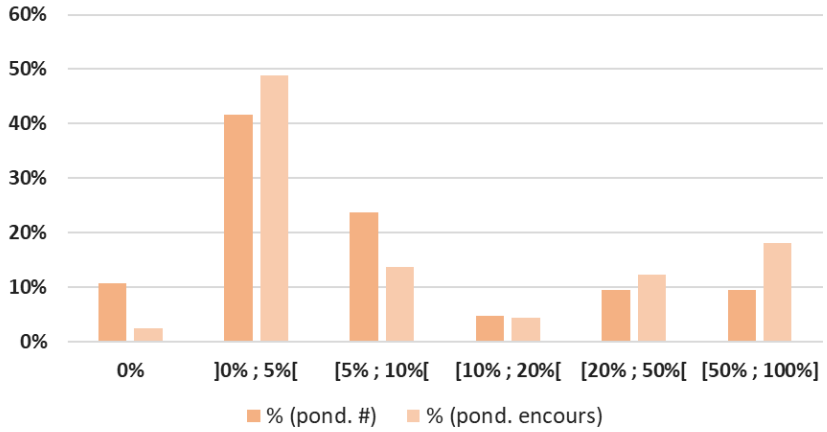


Figure 20: PAI 7 Biodiversity indicator for insurers (population as a whole; 2024 submission) - Classification by number of entities and assets under management

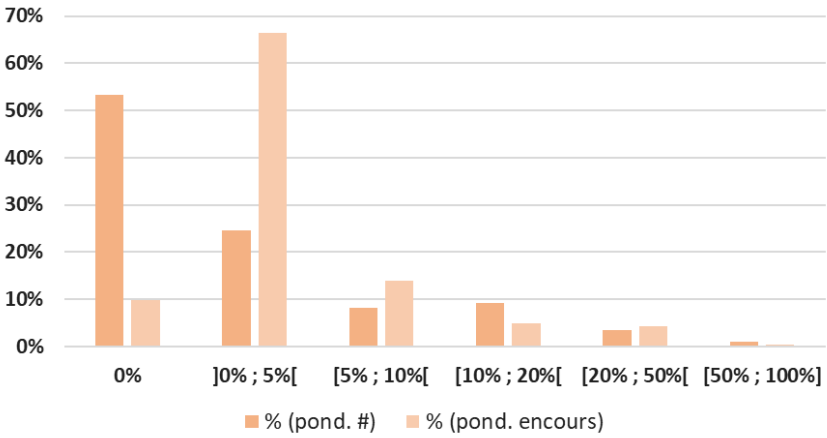


Figure 21: PAI 7 Biodiversity indicator for AMs (total population; 2024 submission) - Classification by number of entities and assets under management

The number of submissions to 0 is particularly high for AM. As with the fossil fuel share indicator, this can be justified by the presence of niche players. However, given the conceptual difficulties posed by the definition, the case of players who have not managed to really determine their exposure and who have entered 0 cannot be ruled out.

While most submissions are between 0 and 5%, the distribution, particularly on the insurer side, is characterised by the presence of numerous extreme values linked in particular to calculation methods centred on a relevant sub-perimeter / with a presumption of broad negative impact as opposed to applications taking all assets together, with the expectation of a strong proven signal of negative impact. Some players choose to communicate in their reports both on metrics centred on the relevant sub-perimeter and on the assets as a whole.

5. Appendices

5.1. Regulatory reminder

This section provides a regulatory reminder of the bodies subject to the provisions of Art. 29 of the LEC, together with a reminder of the procedures for forwarding information to supervisors and ADEME.

Scope of reporting obligation

The table below summarises the scope of application of art. 29 LEC and the associated regulatory sources .[76]

Supervised entity	Regulatory ref.	Precise perimeter	Supervisor
Investment firms and credit institutions	L. 511-4-3 CoMoFi	For their portfolio management and investment advisory activities on behalf of third parties	AMF
Portfolio management company	L. 533-22-1 CoMoFi	All activities	AMF
Mutual Societies Mutual Societies Code	L. 114-46-3 Mutual Insurance Code	Life organisations subject to the Mutual Code	ACPR
Provident institutions	L. 931-3-8 SS Code	Life organisations subject to the social security code	ACPR
IRPS and IRC	L. 942-6-1 Code SS	Life organisations subject to the social security code	ACPR
Insurance companies governed by the Insurance Code	L. 310-1-1-3 Insurance Code	Life insurance undertakings or reinsuring life commitments	ACPR

In an FAQ dated April 2024, the Treasury specified the submission procedures for groups vs. their entities (question 13). For operational reasons, the CTH is asked to duplicate the submissions for each entity in the group (see Q5 of the CTH FAQ) so that submissions can be monitored at supervised entity level. Regardless of the requirements set out in the FAQ, groups also have the option of making "voluntary" submissions at consolidated level.

Transmission of reports

Type of supervised entity	Credit Institution (CI) and Investment Firm (IF)	Asset Manager (AM)	Insurance company	Other compulsory[77]
Supervisor	AMF		ACPR	?
Report submission	CTH		CTH OneGate	CTH
Additional submission	ROSA questionnaire		OneGate Excel file	Not applicable

The regulatory submissions associated with the art. 29 LEC system consist on the one hand of a public narrative report and, on the other hand, from the year 2023 (for the financial year 2022) of the submission of a

[76] Entities that are explicitly subject to individual obligations, such as Caisse des Dépôts et Consignations or IRCANTEC, have not been included in this table.
[77] These include Caisse des Dépôts et Consignations, IRCANTEC, ERAFP, Caisse Nationale de Retraite des Agents des Collectivités Locales and complementary professional pension institutions.

standardised appendix to the supervisor of the reporting entity. The submission requirements according to population are summarised in the table above.

Finally, it should be noted that all supervised entities must publish the report on their own website .[78]

5.2. CTH report submission table by category

Submission statistics are as at 30/11/2024.

	Category	Total
Bank	01. Credit institution	37
	02. Investment company	14
AM	03. Asset Management Company	587
Insurer	04. Livre II mutual insurer (French Mutual Code) - Life or Combined	54
	05. Union de mutuelle de livre II (Code de la mutualité) - Life or Mixed	6
	06. Provident Institution - Life or Mixed	25
	07. Union d'institutions de prévoyance - Life or Combined	2
	08. Insurance company - public limited company - Life or Combined	47
	09. Insurance company - Mutual Insurance Company - Life or Combined	20
	10. Insurance company - European company - Life or Combined	2
	11. Reinsurance undertaking - Life or Composite	5
	12. Supplementary Occupational Retirement Fund (FRPS)	14
	13. Supplementary occupational pension scheme (MRPS)	0
	14. Union de retraite professionnelle supplémentaire (URPS)	0
	15. Institut de retraite professionnelle supplémentaire (IRPS)	1
	16. Other insurance undertaking - Life or Composite	0
Other compulsory	17. Supplementary pension institution	4
	18. Other body managing compulsory supplementary pension schemes	4
	19. Public financial institution	2
Other volunteers	20. Insurance group (voluntary surrender)	15
	21. Asset Management Group (voluntary surrender)	1
	22. Banking group (voluntary submission)	0
	23. Mixed group (voluntary surrender)	2
	24. Other volunteer	4
	Total	**846**

[78] Cf. V third paragraph of Article D. 533-16-1 of the Monetary and Financial Code: "[This report] *is published on a page of the entity's website dedicated to information on environmental, social and governance quality. in the same way as the information provided for in Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 referred to above*".

5.3. List of players in the qualitative sample

Name	Typology	Web link to the report
PREDICA - PREVOYANCE DIALOGUE DU CREDIT AGRICOLE	Insurer	Report 29 LEC CTH
AXA FRANCE VIE	Insurer	Report 29 LEC CTH
CARDIF LIFE INSURANCE	Insurer	Report 29 LEC CTH
SOGECAP	Insurer	Report 29 LEC CTH
GROUPE DES ASSURANCES DU CREDIT MUTUEL	Insurer	Report 29 LEC CTH
BPCE VIE	Insurer	Report 29 LEC CTH
GENERALI VIE	Insurer	Report 29 LEC CTH
ABEILLE ASSURANCES HOLDING	Insurer	Report 29 LEC CTH
GROUPAMA GAN VIE	Insurer	Report 29 LEC CTH
ALLIANZ FRANCE	Insurer	Report 29 LEC CTH
SURAVENIR	Insurer	Report 29 LEC CTH
LA MONDIALE	Insurer	Report 29 LEC CTH
AMUNDI ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
AXA INVESTMENT MANAGERS PARIS	AM Generalist	Report 29 LEC CTH
OSTRUM ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
BNP PARIBAS ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
GROUPAMA ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
HSBC GLOBAL ASSET MANAGEMENT (FRANCE)	AM Generalist	Report 29 LEC CTH
CREDIT MUTUEL ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
OFI INVEST ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
LBP AM	AM Generalist	Report 29 LEC CTH
ROTHSCHILD & CO ASSET MANAGEMENT	AM Generalist	Report 29 LEC CTH
SWISS LIFE ASSET MANAGERS FRANCE	AM Generalist	Report 29 LEC CTH
LAZARD FRERES GESTION	AM Generalist	Report 29 LEC CTH
ARDIAN France	AM Private equity	Report 29 LEC CTH
MIROVA	AM Private equity	Report 29 LEC CTH
ODDO BHF ASSET MANAGEMENT SAS	AM Private equity	Report 29 LEC CTH
BPIFRANCE INVESTISSEMENT	AM Private equity	Report 29 LEC CTH
ANTIN INFRASTRUCTURE PARTNERS SAS	AM Private equity	Report 29 LEC CTH
AEW	AM Immobilier	Report 29 LEC CTH
PRAEMIA REIM France	AM Immobilier	Report 29 LEC CTH
AMPERE GESTION	AM Immobilier	Report 29 LEC CTH
LA FRANCAISE REAL ESTATE MANAGERS.	AM Immobilier	Report 29 LEC CTH
BNP PARIBAS REAL ESTATE INVESTMENT MANAGEMENT France	AM Immobilier	Report 29 LEC CTH

5.4. ACT Finance comparative analysis

The ACT Finance methodology, developed by ADEME and published in April 2024, assesses the alignment of financial institutions with achieving the Paris Agreement. It is therefore an ideal tool for analysing the climate strategy of financial institutions, a number of elements of which are published in the Art. 29 LEC reports.

This report therefore proposes to use specific components of this method in order to compare, for this first exercise, two key elements of the climate strategies of the sample of financial institutions: on the one hand, the ambition of the decarbonisation targets set, and on the other, the quality of the definitions used by the players when they make commitments to finance/invest in the transition.

This appendix briefly presents the underlying methodological principles employed, a full description of which is provided by the ACT Investing methodology.

The results of the analyses carried out are presented in .3.1.3.1

5.4.1. Assessment of the alignment of decarbonisation targets

Indicator 1.1 of the ACT Finance methodology assesses the alignment of greenhouse gas emission targets set by financial institutions[79] . In concrete terms, these targets are compared with an emissions reduction trajectory based on the ACA methodology[80] developed by the SBTi, which estimates that, to achieve the objective of limiting global warming and becoming carbon neutral in 2050, the economy as a whole must reduce its emissions by -4.2%/year over 10 years, and achieve an emissions reduction of -90% in 2050 compared with the chosen reference year (the remainder may be subject to offsetting with ecosystem services or other companies).

Using this approach, it is possible to deduce a target alignment score whatever the reference year and ambition chosen (see illustrative example below).

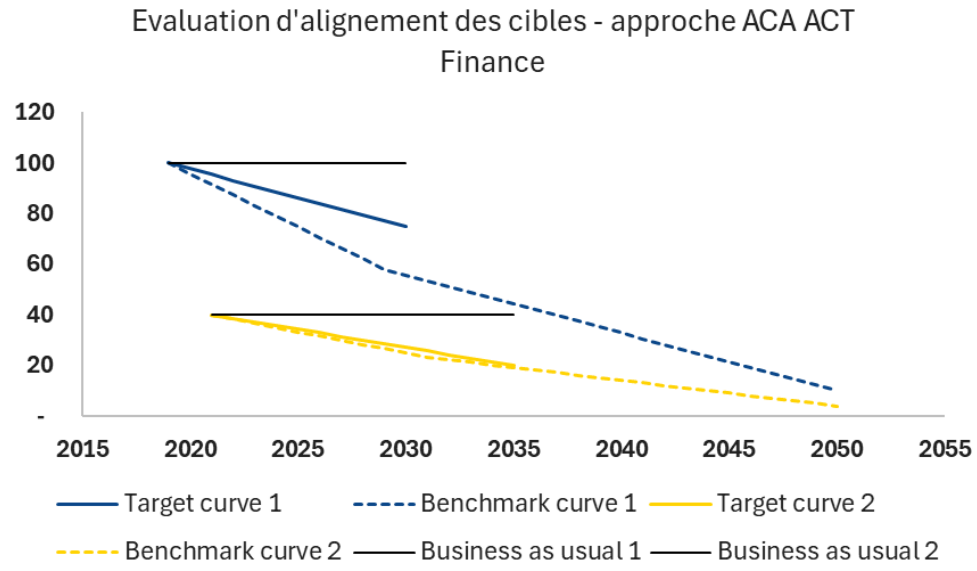


Figure 21: Assessment of portfolio decarbonisation targets - ACA ACT Finance approach

100% corresponds to a target aligned with the *benchmark* (the aligned reduction trajectory, as in example 2 above). A score between 0 and 100% corresponds to a reduction target that is proportionally lower than expected

[79] The weight of the alignment indicator for targets expressed in terms of financed emissions is 7% of the overall score, which reflects the complementary and backward-looking nature of such targets in a financial institution's strategy for contributing to climate objectives (see). 5.4.1

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(around 50% lower score in example 1 above, given that the financial institution is committed to going "half way" compared to a situation where emissions remain unchanged). A score of more than 100% (in practice capped at 100% in the methodology, here left as it is to show the gap with the *benchmark*) corresponds to a requirement that exceeds that of the *benchmark* . [81]

This approach has a number of biases (in particular, depending on the underlying economic sectors, the expected decarbonisation curve is not the same). However, it is particularly well suited to financial institutions, where the targets observed in practice correspond to global multi-sector targets.

In the methodology, **this alignment score is contextualised by various factors**: quality of the GHG data used, GHG perimeter and financial perimeter applied, structuring and unity of targets (sector targets in physical intensity are favoured). These various elements **are not included in the analysis carried out here**, because the precise information required is often lacking.

5.4.2. Assessing the definition of low-carbon assets and companies in transition

The ACT Finance methodology measures the climate performance of a financial institution's portfolio essentially on the basis of the proportion of its portfolio devoted to companies in transition/low-carbon companies, or to low-carbon activities and projects (see indicator 4.2 dimension 3 of the Investing methodology).

This approach requires the ability to identify low-carbon assets and companies in transition. This is why the methodology includes a framework for analysing the definitions of these concepts provided by the players themselves. Set out in the form of a "maturity matrix", the analysis makes it possible to classify the "quality" of the definition proposed by the player according to different criteria, or by reference to a particular standard. Thanks to this approach, it is possible to get an objective idea of the quality of the definition proposed by a player - and therefore of the commitment it has made.

The maturity matrix used to analyse the quality of the definition of a "low-carbon asset" and the matrix analysing the definition of a "company in transition" are presented below. The latter itself refers to various criteria that more or less reflect the methodological principles of ACT.

[81] For example, the alignment score obtained for a reduction target in 2030 compared with 2020 will be, depending on the level of reduction: 50% for a target of -21%, 100% for a target of -42%, and 150% for a target of -63%.

Question	Basic	Standard	Advanced	Next practice	Low-carbon aligned	Weighting
Associated score	*0%*	*25%*	*50%*	*75%*	*100%*	
Does the FI use and disclose an established definition of low carbon activities?	No definition	The FI uses an internal definition without leveraging on next level quality definitions **OR** The IF uses a referential (e.g. ICMA Green Bonds Principles) without evidencing there is a clear link to climate topic.	The FI uses an internal definition leveraging on science-based climate taxonomies. Taxonomies should be published by a national, regional or global governing body. However definition implementation is not publicly accessible. **O** The FI uses ICMA Green Bonds principles or equivalent referential with evidence there is a clear link to climate topic.	The FI uses an internal definition leveraging on science-based climate taxonomies for categorizing sustainable activities. Taxonomies should be published by a national, regional or global governing body. Definition implementation is publicly accessible. **OR** The FI uses the Climate Bond Initiative framework or EU Green Bond Standard framework or other recognized equivalents	The FI uses an internal definition leveraging on science-based climate taxonomies for categorizing sustainable activities. Taxonomies should be published by a national, regional or global governing body **OR** The FI uses the Climate Bond Initiative framework or EU Green Bond Standard framework or other recognized equivalents **AN** The company exercising the activity is either considered low-carbon or in transition. Information is publicly accessible. Information collected is challenged/verified.	*100%*

Question	Basic	Standard	Advanced	Next practice	Low-carbon aligned	Weighting
Associated score	***0%***	***25%***	***50%***	***75%***	***100%***	
Does the FI use an effective transition assessment framework regarding its investees?	Not using any standard or framework making it possible to identify the "Transitioning" entities of the portfolio **OR** The FI has a transition assessment framework that has significant loopholes regarding notably the abovementioned standards (e.g. leading to conclude that a company that has a very bad scoring considering one of the abovementioned standard is transitioning)	A climate framework exists for assessing counterparty's transition plan. The disclosure regarding the framework used by the FI is not clear. The framework relies on metrics/principles whose compliance with abovementioned qualitative principles is not ensured (e.g. broad ESG scores or climate scores based on assessing only disclosure/tick the box approach).	A climate framework exists for assessing counterparty's transition plan. The disclosure regarding the framework used by the FI is clear. The framework for defining a "transitioning entity" meets at least criteria 1.1, 2.1 and 3.1	A climate framework exists for assessing counterparty's transition plan. The disclosure regarding the framework used by the FI is clear. The framework for defining a "transitioning entity" meets at least criteria 1, 2, 3 and 4.	A climate framework exists for assessing counterparty's transition plan. The disclosure regarding the framework used by the FI is clear. The framework for defining a "transitioning entity" meets all criteria.	

In principle, a sound transition assessment framework should check minimum requirements regarding the assessed transition plan, notably:

1. Targets

1.1 Ambition/Targets' alignment: decarbonisation targets aligned with a 1.5°C trajectory (based on a 1.5°C scenario with no/low overshoot and a limited reliance on negative emissions). These targets must cover all significant scopes of emissions and disclose the expected contribution of negative emission technologies. They cannot rely on carbon offsets.

1.2 Time horizon of targets: The ideal set of targets is forward-looking enough to include a long-term horizon that includes the majority of a company's asset lifetimes, but also includes short- and medium-term targets that incentivize action in the present and planning of the near future.

2. Decarbonation strategy

2.1 Perimeter of the transition plan: the transition plan should address all the relevant areas regarding climate issues, particularly the decommissioning of highly emissive processes and operations.

2.2 Decarbonation levers identified with key actions planned shall be provided, as well as the financial resources associated. Explanations provided regarding decarbonation levers shall be clear and credible, notably with due cautiousness regarding future technologies including carbon capture and storage. Expected contribution of negative emission technologies shall be disclosed, while transition plan cannot rely on carbon offsets. There should be an understandable linkage between financing needs and levers.

2.3 Locked-in GHG emissions: An analysis of the current company locked-in trajectory (i.e., emissions implied by its current productive assets and near-term business projections) that ensures its consistency with the proposed decarbonation pathway. Together with this analysis, the company should provide an explanation of how it will manage its highly emissive processes and operations in accordance with its targets. For activities that must be significantly scaled down or phased out, it should also provide a schedule for the closing of relevant facilities.

3. Management

3.1 Clear oversight of climate change issues (net zero transition planning) and implication (approval of transition plan) at Board Level.

3.2 Risk framework identifying the key sensitivities and risks to the transition plan that have the potential to decisively impact its delivery.

4. Value chain engagement

4.1 Defining strategy and associated actions to onboard all the value chain (customers and suppliers) in the net zero journey.

5. Policy Engagement

5.1 Aligning lobbying activities with the Paris Agreement.

6. Monitoring, reporting and Verification process:

6.1 Control/Validation: any element demonstrating the lack of robustness/credibility of the transition plan should be taken into account, such as for instance controversies, certification issues of the reporting related to climate topics, misalignment between lobbying activities or remuneration incentives with the goal to limit global warming to 1.5°C....

6.2 Effective implementation of the transition plan should be monitored, any overshoot needing due explanations and adaptation of the transition plan.

The Finance ClimAct project contributes to the implementation of France's National Low Carbon Strategy and European policy on sustainable finance. It aims to develop new tools, methods and knowledge that will enable (1) energy-intensive industries to promote investment in energy efficiency and the low-carbon economy, and (2) financial institutions and their supervisors to integrate climate issues into their decision-making processes and align financial flows with the objectives of integrating environmental objectives into their investment choices.

The consortium, coordinated by the French Ecological Transition Agency, also includes the French Ministry for Ecological Transition, the Autorité des marchés financiers, the Autorité de contrôle prudentiel et de résolution, the 2° Investing Initiative, the Institut de l'économie pour le climat, the Institut de la Finance Durable and RMI.

Finance ClimAct is an innovative programme with a total budget of €18 million and €10 million in funding from the European Commission.

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