Joint ACPR-AMF

report

The climate commitments of French financial institutions

Foreword by the Chairmen

During the Paris Financial Centre meeting of 2 July 2019, chaired by Bruno Le Maire, the French Minister for Economic Affairs and Finance, French financial institutions made a series of commitments to combat climate change and reach the objective of carbon neutrality by 2050. On this occasion, the ACPR and the AMF announced the implementation of a framework for monitoring and assessing these commitments based on their Climate and Sustainable Finance Advisory Commissions (CCFD in French) encompassing, for the ACPR, the banking and insurance sectors and, for the AMF, those of asset management, market activities and issuers.

This joint report by the authorities reflects the initial work carried out in the context of the aforementioned monitoring and evaluation. This work was conducted on the basis of available public information and questionnaires sent to major market participants (9 banks, 17 insurers and 20 management companies), complemented by numerous bilateral exchanges and analyses based on data from both authorities.

This first exercise yielded several observations.

First, we note a relatively widespread awareness of the responsibility of the financial sector in the fight against climate change and related risks, as well as the key role of finance in supporting firms in their transition to a less carbon-intensive activity. The commitments made in the Declaration of 2 July 2019 were also accompanied by a strengthening of the information provided with regard to climate risk, once again on a voluntary basis, by the French financial sector. Such provision also relied, for some stakeholders, on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, all banks, insurance undertakings and most of the management companies analysed in this report published a withdrawal policy from thermal coal, due to the significant contribution of this sector to global warming. The market participants' "coal" policies are discussed in a dedicated chapter of this report which was already published by the two Authorities on 29 October 2020. In this first publication, the Authorities established the exposure of French financial centre to be significantly lower than 1% of the total assets concerned for each sector.

These policies are a necessary first step in the mobilisation of financial players towards a low-carbon economy, and those of French players quite often stand out from their counterparts. However, as such, they remain insufficient in the face of the climate issue.

The policies implemented and the information provided still need improvement. Certain aspects of institutions' commitments need to be further specified and clarified, in particular with regard to the means implemented to monitor and achieve the defined objectives. Moreover, most players need to continue their efforts to better integrate climate factors into their overall strategy, a finding that also emerged from the analysis of the TCFD reports of French stakeholders included in the sample. These clarifications will not only enable financial institutions to better assess the "climate risk" and the means implemented to address them, but also to increase the transparency of information disclosed to the public and to investors.

However, the targeted objectives remain dependent on methods and approaches that are still fragile and lack harmonisation, making analyses and comparisons difficult. Both data collection and data processing are often based on different understandings and indicators which can vary significantly. This is why the methodologies on which institutional policies are based must now converge towards greater homogeneity and, therefore, comparability. Professional federations, but also supervisors and, more broadly, public authorities will be in a position to support institutions in order to achieve convergence in the methods used to measure exposures. This collective work will also help to better assess the ambition of the commitments made.

The complex links between the financial world, economic realities and climate requirements call for the mobilisation of financial system players to build a fair transition, one that will reduce greenhouse gas emissions and prepare our financial systems for the upcoming changes. We hope to be able to reflect the progress made in this regard in future editions of this report.

We hope that this first joint report will enable the Paris financial centre to consolidate its progress towards more sustainable finance.

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Overall summary

Overview of climate commitments

- The census conducted by the Authorities **reflects the mobilisation of the Paris financial centre in support of the fight against climate change and towards the aim of *decarbonizing* portfolios. This mobilisation has gained momentum since the signing of the Paris Agreement at the end of 2015, and reached a new milestone on the occasion of the financial center agreement of 2 July 2019. Indeed,** 100% of the major banks and insurance undertakings analysed in this report have defined policies for the exclusion of and divestment from thermal coal; 78% of banks and 65% of insurance undertakings confirmed their commitment or expressed their desire to commit in the near future to aligning their portfolios with a 2°C climate path. Likewise 85% of the most significant managers have adopted a zero-carbon policy and one third of all management companies, representing close to 70% of assets under management, have now developed a climate strategy.

- Awareness on the expected role of the financial sector is reflected in the growing involvement of the **highest levels of governance** of French financial institutions in both climate issues and commitments made, although important challenges remain with regard to their effective implementation.

- These shared priorities are, however, unevenly expressed across stakeholders, with **varying levels of ambition** as well as **strategic and operational** consequences.

- The same holds true for the approaches and **methodologies used,** including in terms of measuring and defining the path for aligning portfolios, the green share of financing, investments or exposures, impact measures, and finally the scope of activities covered (*scopes*, type of asset, type of transaction, coverage rate...).

- Progress has been made in terms of transparency. By contrast, **accuracy and pedagogy in the information provided remain uneven and can still be improved**: a residual confusion remains between what pertains to the area of CSR (corporate social responsibility) and that of climate change, as well as a relative vagueness regarding the purpose of certain commitments, or the state of progress and compliance. The steps taken to support financed firms towards the energy transition would also benefit from being made more explicit.

- As for **the commitments made through collective initiatives**, whether national or international, they contribute to the mobilisation of French stakeholders, who in turn contribute to the success and effectiveness of these collective actions. However, it is often difficult to accurately assess the objectives set by each institution for itself and the resulting operational impacts.

- **Finally, it is necessary to consider these commitments in a more global context in order to assess their actual scope and impact on climate change.** Nevertheless, the Paris financial centre, through its dynamism, is proving to be a forerunner compared with other financial centres. Ongoing efforts can have a spillover effect on the entire financial industry in reducing the use of fossil energy and contributing to reaching the goals of the Paris Agreement. However, they cannot be sufficient without tangible support from all stakeholders.

Focus on coal policies

- Today, all the banks and insurers sampled have a **"coal" policy**; the same holds true for most major French management companies in terms of outstanding assets

- Despite the methodological difficulties encountered, the various approaches used by the ACPR and the AMF highlight **the low exposure of the French financial industry to the thermal coal sector**.

- **This overall observation, however, encompasses different realities and developments across groups.** For example, over the past five years there has been a steady decline in "coal" assets in the balance sheet of insurance undertakings, and stagnation on the banking side (with the exception of one that shows a significant decline by 36%). For asset managers, the exposure varies significantly depending on the funds considered, and the effort to be made to exclude "coal" assets from portfolios depends in particular on the investment universe of the funds concerned.

- **The criteria and thresholds put in place can be perfected** and call for more homogeneous approaches for both the measurement of coal exposure and the review of exclusion thresholds, as the "policies" of several players sometimes still lack sufficient readability. Some stakeholders, especially among asset management companies, have not yet defined an exit date for the sector.

- This heterogeneity is partly explained by **the incomplete nature of the available data** provided by funded firms. It is also due to the **diversity of approaches and criteria used** by banks, insurers and fund managers. The regulatory texts adopted or being drafted at the European level (the "disclosure" Regulation (SFDR), the revision of the non-financial information Directive, the finalisation of the taxonomy for sustainable activities) and within the French jurisdiction (Article 29 of the Energy and Climate Law) should play a welcome structuring role.

The report concludes with **a number of recommendations** aimed at providing a more practical and operational view of stakeholders' individual commitments and at improving transparency as well as monitoring. These expectations, which span the whole scope of climate commitments, come with specific expectations in the definition and implementation of coal policies.

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Introduction

During the meeting of 2 July 2019 organised by the French Minister for Economic Affairs and Finance with the representatives of the Paris financial centre, the ACPR (the French Prudential Supervision and Resolution Authority) and the AMF (the French financial markets authority) announced the implementation of a monitoring and assessment framework for the climate commitments of Paris Financial Market participants (banks, insurers, asset management companies) within their respective spheres of competence.

The authorities must, by means of a joint annual report, report on the work undertaken and provide an assessment of the commitments made and the conditions of their implementation. In carrying out this work, the authorities are assisted by two Climate and Sustainable Finance Commissions (CCFD) bringing together the various stakeholders[1] involved.

The two independent authorities'work has been further clarified through the definition of the four main objectives:

- **Ensuring an independent monitoring of the implementation of financial entities' commitments in relation to climate matters;**

- **Increasing transparency on the various forms and reality of the institutions' individual commitments and the information available to monitor their implementation;**

- **Providing elements for the evaluation of these commitments (level of transparency, means of action implemented, tangible impact, paths towards improvement);**

- Formulating any **recommendation** aimed at supporting the credibility of individual commitments, improving their monitoring and developing tools promoting sustainable finance.

On the occasion of the Financial Centre Agreement of 2 July 2019[2], the signatory professional associations committed themselves, beyond all the climate commitments, to encouraging their members to adopt a coal strategy, with a global timetable for disengagement, and to report it in their extra-financial reporting as early as the 2020 financial year. Particular attention was therefore given, in this first ACPR-AMF joint report on monitoring climate commitments, to the definition and implementation of the "coal" policies of the most significant players in the financial centre. The conclusions on this topic were published on 29 October 2020[3] and are included in this report.

The other chapters of the report provide the methodology for monitoring and assessing climate commitments, an overall picture of the commitments identified within the selected sample of players, as well as an assessment of TCFD reports of the ten French actors in the sample who have committed to the approach.[4]. Finally, a first overview of the actions initiated in the field of biodiversity complements this work. The last chapter of the report brings together the recommendations issued by the authorities.

[1] See Annex 1 for a presentation of these two Commissions.
[2] Finance for Tomorrow, *Déclaration de Place: une nouvelle étape pour une finance verte et durable*, 2 July 2019.
[3] ACPR/AMF, The coal policies of Paris financial centre participants, October 2020.
[4] More detailed results of the work on TCFD reports are published separately.

Chapter 1 - Methodology adopted by the ACPR and the AMF for the monitoring of commitments

In this report, the notion of climate commitment is defined as the sum of all commitments made by financial institutions that are likely to have a positive impact on climate change adaptation and mitigation, as well as those that contribute to the formulation of the climate strategies (and in particular the methodological work undertaken) implemented by these institutions. The commitments analysed in this report are those that were publicly made or reiterated on an individual or collective basis over a period from 1 January 2015 to 31 December 2019, and, for coal policies, until 31 July 2020.

The public nature of these commitments implies external communication through various media: press releases/articles, information documents (ESG/SRI charters, non-financial performance reports, CSR/sustainable development reports, Article 173 reports, annual reports, management reports…), exclusion/divestment policies or any other public documents.

For banks and insurance undertakings, and with a view to ensure the uniformity of treatment and interpretation among institutions, only climate commitments made at the group level have been retained. Moreover, any commitment renewed year after year with a more demanding criterion or with objective revised upward was considered as a single commitment.

For asset management companies, the commitments identified are those that apply to the surveyed entity regardless of the entity that disclosed them (meaning that the commitments made by the group applying to the respondent entity are included in the scope of this questionnaire).

1. Typology and definition of commitments retained by the ACPR and the AMF

The classification of commitments used in this report forms the common denominator for the three populations (banks, insurance undertakings, asset management companies) involved in this work on identifying and monitoring climate commitments as at 31 December 2019. More specifically, the following categories are identified:

- **The entity's internal policy and carbon footprint,** including greenhouse gas emission (GHG) reduction or offsetting objectives or the institution's treatment of waste, which are directly related to the day-to-day operations of the entity and have no bearing on credit or investment portfolios or outstanding amounts under management.

- **Exit strategies from fossil fuels:**

  - Divestment policies: commitments relating to the disposal of certain assets due to their contribution to climate change (coal, other fossil fuels: oil, gas, oil sands…);

  - Exclusion policies: commitments to stop financing certain assets due to their contribution to climate (coal, other fossil fuels: oil, gas, oil sands…).

- **Commitments to green funding and green investments or insuring green activities**: commitments to finance, develop and market "green" or climate-dedicated financial products (investment or exposure) or insurance activities for green or climate-related activities**.**

- **Shareholder commitments and any other commitments to support stakeholders** aimed at encouraging an issuer to take better account of climate issues, promoting either better prevention or improvement of the environmental qualities of an asset; and involvement in international public or private initiatives.

- **Commitments to reduce GHG emissions or align with the objectives of the Paris Agreement:** methodological and research work, adherence to Science Based Targets*,* stated objectives in terms of the carbon footprint or carbon intensity of portfolios, etc.

- **Transparency of information relating to addressing climate issues:** adherence to the Recommendations of the TCFD (Task Force on Climate-related Financial Disclosures*)*, application of European Commission guidelines on climate reporting and other transparency initiatives.

- Commitments also include participation or membership in national or international climate initiatives: Montreal Carbon Pledge, Institutional Investor Group on Climate Change (IIGCC), ClimateAction100 +, Science Based Targets, etc. However, the commitments discussed in this report do not include commitments that only partially relate to climate change, such as those related to the development of ESG or "responsible" approaches. In addition, the specific elements of certain products, as presented in their commercial and regulatory documentation, have not been reviewed.

2. Analysed sample

The list of financial centre participants included in the sample is set out in Annex 2.

- **Bankings groups population**

The sample is identical to that of the groups that participated in the survey conducted in 2018 by the ACPR[5], the main results of which were published in April 2019. It includes the nine main French banking groups. It therefore includes network groups, those with international corporate and investment banking activities as well as public institutions dedicated to either financing or development. The balance sheet share of this banking population represents more than 85% of the total French banking system as at 31 December 2019.

- **Insurance groups population**

Similarly, the sample of selected insurance groups is identical to that of the groups that participated in the 2018 ACPR survey, the main results of which were published in April 2019[6]. These are the 17 largest French insurance groups, representing 88% of the assets held by French insurers in 2019.

[5] See in particular: ACPR, *Le changement climatique: quels risques pour les banques et les assurances ?*, April 2019 and ACPR, *Analyses et Synthèses* n°101 : *Les groupes bancaires français face au risque climatique*, April 2019.

[6] See ACPR, *Analyses et Synthèses n°102*: *Les assureurs français face au risque de changement climatique*, April 2019.

- **Asset management companies (AMC) population**

The AMF based its selection on the 20 largest AMCs in terms of outstanding amounts under management, including assets under collective management and assets under management mandate as at 31 December 2019. These twenty undertakings account for 75% of total assets under management.

The AMF also sent a short questionnaire to the entire population of AMCs under its supervision, meaning over 600 stakeholders. The responses made it possible to draw an overview of the commitments made in terms of their characteristics (type of management, size, shareholding…) and to carry out an initial analysis of the various organisations implemented for the governance and monitoring of climate commitments. More than 80% of the market participants filled out the questionnaire, representing more than 95% of the outstanding handled by French management companies.

3. Structure of the questionnaire

The ACPR and the AMF provided a questionnaire taking into account the specific characteristics of each analysed population (banks, insurers, AMCs). The questionnaire was also the subject of discussions with professional associations of the banking, insurance and asset management sectors.

This exercise carried out by the financial centre focuses on a **consolidated approach for banking groups** (excluding insurance and asset management subsidiaries covered by questionnaires dedicated to these business lines) **and insurance groups** (excluding banking and asset management subsidiaries covered by dedicated questionnaires) and **an individual approach to AMCs**. This type of survey will be conducted on a recurring basis as part of the annual drafting of the joint report by the ACPR and the AMF. These surveys will provide supervisory authorities with an overview of the public climate commitments made by financial institutions and to monitor and assess them over time. It will also enable them to gradually make the qualitative and quantitative data submitted by financial institutions more reliable and gradually contribute to its homogenisation.

The structure of the questionnaire is organised around the following five sections:

- **Overview of the commitments made by the banking institution, the insurance company and the asset management company**

The purpose of this section is to identify the commitments made by each player, their scope of application, their main characteristics (commitment to result/means, quantification of objectives, possible timetable…) and their degree of achievement.

It also aims at identifying the communication channels used for each commitment made (press release, statement of non-financial performance, Article 173 report, existence of a report on the degree of achievement of commitments, etc.) and verifying the traceability of the undertaking's public communication.

Additionally, a more qualitative section aims at identifying the positive and negative externalities of these commitments and their impact.

- **Internal organisation and framework for the monitoring of the commitments made by the financial institutions analysed**

This part aims to capture the integration and governance of climate commitments within financial institutions. This is notably visible through the involvement of the different levels of monitoring and control of the fulfilment of commitments, and the human and technical resources dedicated to these tasks. Similarly, the frequency of review of the fulfilment of commitments within the framework of supervisory actions is taken into account.

- **Coal exit strategies**

This section assesses the criteria applied in the framework of institutions' coal policies (sectoral policies, exclusion thresholds used and possible recourse to external methodologies, types of coal considered by these policies, planned exit dates per geographical area, establishment of a list of issuers concerned) and the work done by reporting entities to quantify the levels of disinvestment and exposure.

- **Commitments to an alignment of financial asset portfolios (securities, loans) with a global warming trajectory of less than 1.5° or 2°C compared to the pre-industrial era**

This section describes the portfolio alignment methods applied, if any, by reporting entities, the progress of their methodological and research work, as well as any identified methodological limitations.

- **Commitment initiatives on climate issues with customers or firms owned**

This section aims to measure the reality and sustainability of commitment approaches (including shareholder commitments) related to climate issues, both upstream (information meetings/raising awareness/supporting customers/issuers in relation to the transitional risk) and downstream (exercise of voting rights policies at general meetings on climate resolutions, processes used, potential recourse to proxies, etc.), agreements between the undertaking and the investor…).

Finally, additional questions related to the implementation of the TCFD recommendations and to the existence of a biodiversity strategy were also included in this questionnaire.

The responses received to the questionnaires were supplemented by bilateral interviews with numerous players to clarify and complete certain responses[7] as well as various stakeholders[8].

[7] This is the case for the implementation of "coal" policies (assessment of the data provided in respect of divestment and exclusion, policy implementation methods), and for those related to assisting customers with the energy transition and the estimation of externalities associated with commitments.

[8] NGOs, specialised providers and professional associations within the framework of the Observatory for Sustainable Finance announced by professional federations in the statement of 2 July 2019 and launched on 26 October 2020. In this respect, it should be noted that the number and nature of commitments collected by this Observatory for Sustainable Finance on a voluntary basis may differ from those identified by the ACPR and the AMF.

Chapter 2 - Panorama of climate commitments made by the financial players of the Paris financial centre

The number of public commitments made by French banking and insurance groups in the fight against global warming from January 2015 to December 2019 exceeds 200. More than a hundred commitments were also identified at the level of the 20 AMCs analysed. These numbers, which must be assessed in light of each player's business model, do not in any way presuppose the degree of requirement attached to each commitment and the level of ambition set by each group or actor.

These commitments correspond to collective commitments of the Paris financial centre[9] or to individual commitments. They reflect the mobilisation of the financial centre and the efforts made by financial institutions to combat climate change over the past several years, in an environment where awareness is growing regarding f these issues among customers and shareholders.

Public authorities and supervisory authorities have also played a particularly structuring role in the context of the Law on Energy Transition and Green Growth (LTCEV) adopted in 2015, through the Central Banks Network for Greening the Financial Sector (NGFS) created during the One Planet Summit of end 2017, as well as through the actions taken to mitigate greenwashing risks.

1. A consensus on the need to reduce banking and insurance portfolios' exposure to financial climate risks

1.1 A strongly committed financial centre

On 2 July 2019, the leading professional organisations and federations of the Paris financial centre committed themselves to encouraging their members to adopt a coal strategy and to continue working on methodologies for calculating the carbon footprint and aligning portfolios with a 2°C trajectory. The identification of climate commitments is carried out by a market Observatory hosted by Finance for Tomorrow and assessed by the ACPR and the AMF, supported by two Advisory Commissions on climate and sustainable finance set up for this purpose.

The analysis of commitments made by financial entities under the ACPR's supervision confirms the importance of the climate issue.

This analysis shows that:

- All the banks[10] and insurance undertakings sampled have adopted policies to exclude and divest from fossil fuel. These policies represent 27% of the total commitments made by insurers and 23% of the commitments made by banks.

[9] Financial Centre Statement, "A new step towards green and sustainable finance", 2 July 2019.

[10] Based on an inter institution reading, only the commitments made at the group level have been included in this analysis. Nevertheless, subsidiaries of a group may be entitled to making climate commitments, especially where they are listed, as evidenced by the commitments made within the BPCE group by its subsidiary NATIXIS or within mutual networks such as the regional network of *banques populaires* and savings banks, in accordance with the group's climate policy. Furthermore, a commitment renewed year after year with a more demanding criterion or an upward objective is accounted for as a single commitment.

- 89% of banks and 65% of insurers made one or more commitments relating to energy transition financing policies, renewable energy project financing, green bond issues and green bond transaction arrangements. These policies represent about one-quarter of the commitments made by banks and 16% of those made by insurers.

- Finally, 44% of banks and 47% of insurers made at least one commitment relating to a policy to reduce the carbon footprint of portfolios or greenhouse gas (GHG) emissions. This category represents 18% of insurers' commitments and 11% of banks' commitments.

Charts 1 and 1a below show:

- The proportion of banks and insurance undertakings that have made a commitment by category;

- The breakdown of commitments by sector according to the classification set out in the first chapter.

Chart 1 - Commitment rate of French banks and insurers by category

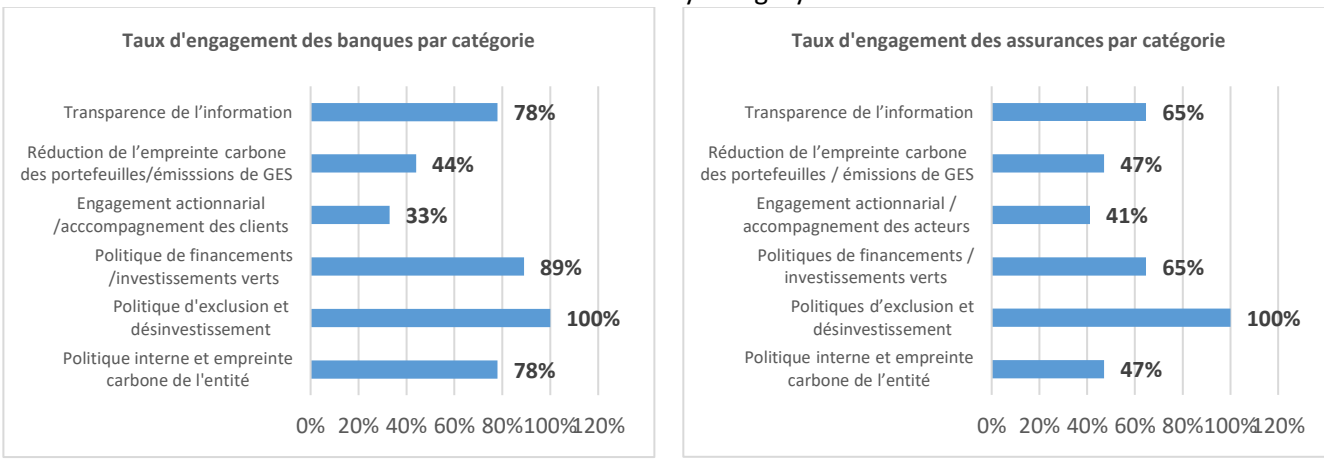
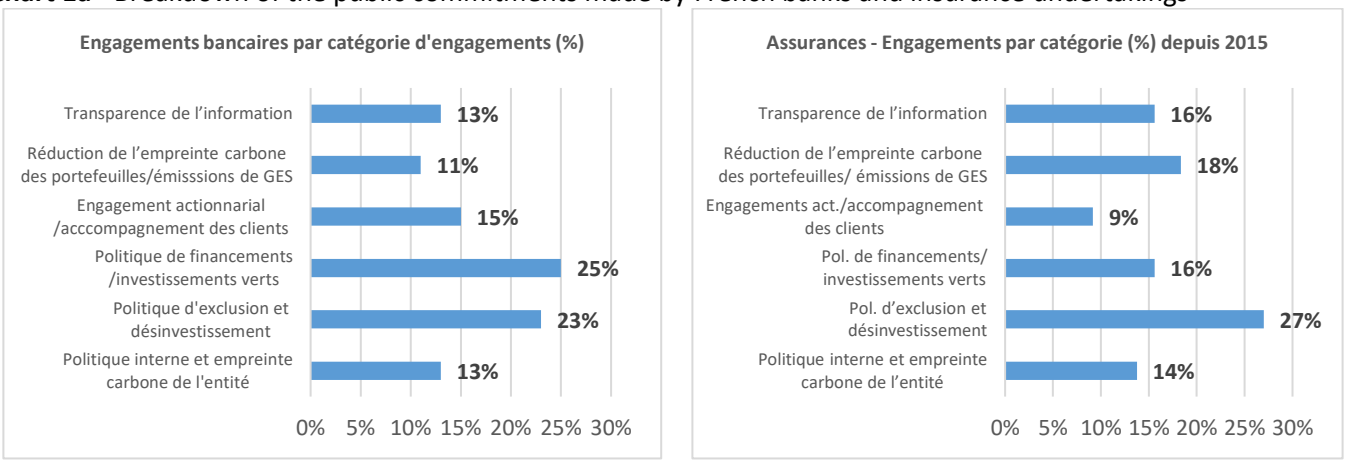


Chart 1a - Breakdown of the public commitments made by French banks and insurance undertakings



Source: ACPR and public information available on the financial institutions' websites

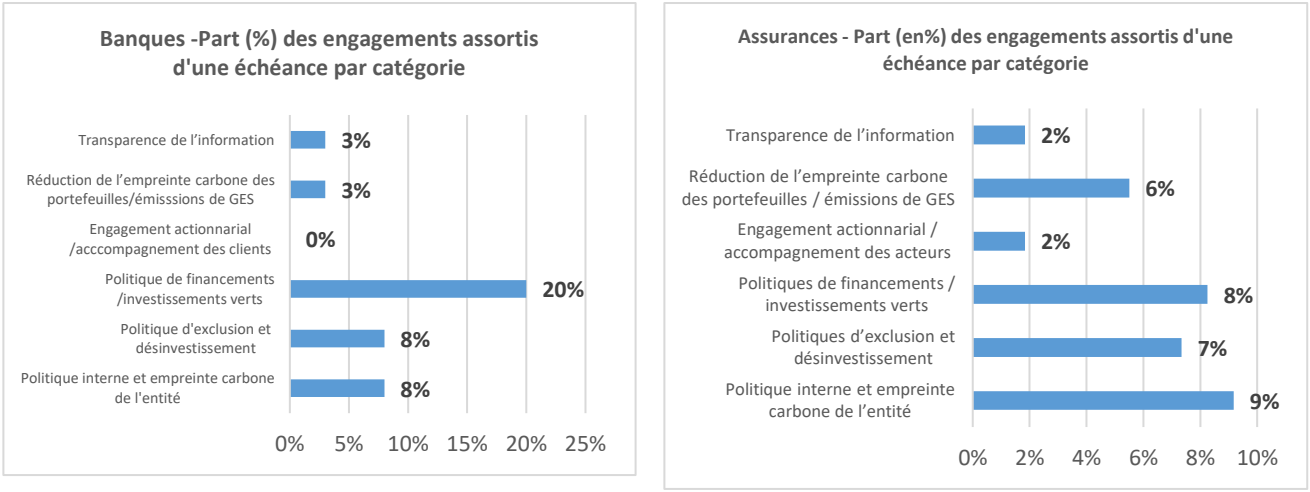
1.2 A majority of the commitments include quantified indicators to strengthen their traceability

The fact that commitments have precise, quantified objectives and deadlines constitutes an additional element of appreciation for investors and customers, as well as an instrument to monitor these commitments over time. Nevertheless, consideration should be given in the analysis to the fact that not all commitments, given to their purpose, have a quantitative dimension or a time horizon.

Having clarified the framework, the analysis of the questionnaires shows that:

- 42% of bank commitments and 34% of insurers' commitments have a maturity date. The share of commitments with a maturity date according to the type of commitment is shown in Chart 2 below.

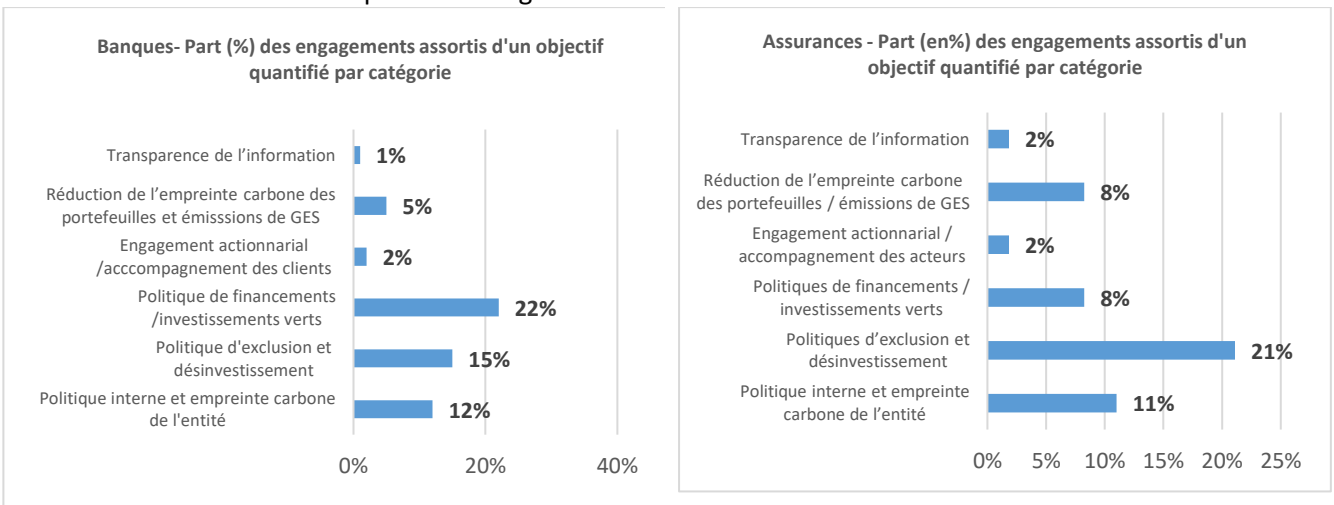
Chart 2 -Share of financial institution commitments with maturities



Source: ACPR and public information available on the financial institutions' websites

- It is also noted that 57% of bank commitments and 52% of insurance commitments have a quantified target. The share in each commitment category with quantified targets is shown in Chart 3.

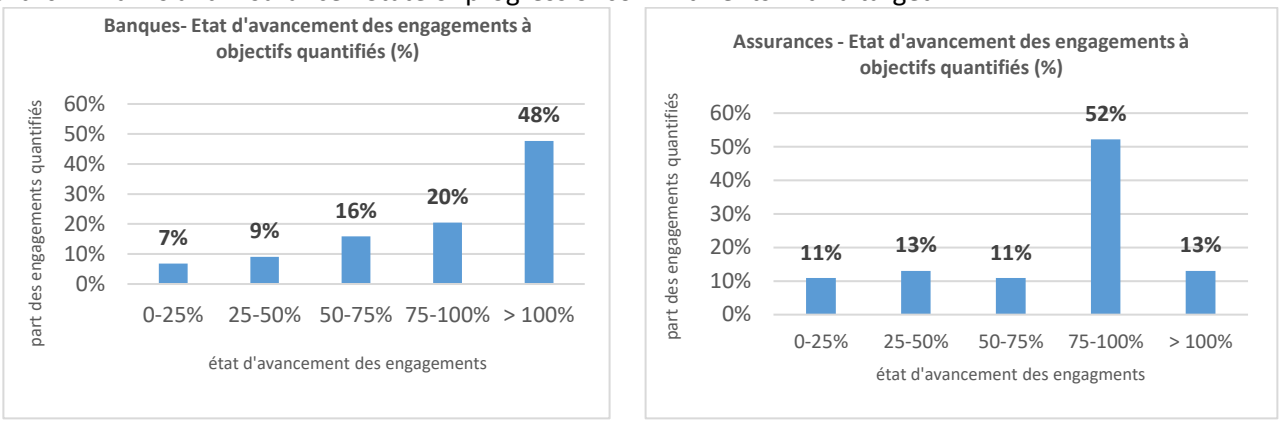
Chart 3 - Commitments with a quantified target



Source: ACPR and public information available on the financial institutions' websites

- Finally, a very significant portion of quantified commitments are accompanied by information on the level of progress of the commitment. Thus, 77% and 81% of quantified banking and insurance commitments are subject to a measurement of their state of progress. The breakdown of the quantified commitments' state of progress of is shown in Chart 4.

Chart 4 - Banks and insurance - State of progress of commitments with a target



Source: ACPR and public information available on the financial institutions' websites

1.3 The Paris financial centre has the necessary resources to ensure the traceability of its commitments

1.3.1 Human and technical resources

The answers from the questionnaire, of varying quality depending on respondents, have shown that institutions primarily assign staff coming from CSR and risks departments to monitor commitments, according to their size and to the number of individual commitments. Staff numbers vary, from a few employees to dedicated teams with representatives in business lines. As a previous ACPR report already pointed out in 2019, there is an "increasing recognition of the climate risk by the risk departments of large groups. This recognition goes well beyond the CSR functions that were in the front line in 2016, mainly from a reputational risk perspective." [11].

On a technical level, almost all banks and most insurance undertakings (88%) have their own information system to monitor their climate commitments, or will deploy a specific solution in the coming months.

1.3.2 Involvement of governance bodies and monitoring of implementation

Given the diversity and complexity of the groups analysed and the information provided, it is difficult to compare organisations.

However, the monitoring of climate change risks and the commitments made in this area seems to be the subject of increasing attention within the governance bodies. This has been illustrated for example by the boards of directors, possibly assisted by specialised committees for the validation of climate strategies, or the monitoring provided, according to a frequency set by each group, by the general management or the Executive Committee, if necessary through various committees that may bring together representatives of several functions, including Risks and CSR.

[11] ACPR, *Les groupes bancaires français face au risque climatique*, April 2019.

Finally, the responses collected show that the information provided by governance bodies tends to diversify, with the regular involvement of the risk management committees/departments that oversee climate issues (especially the transitional and physical risks).

These findings confirm at the banking level the conclusions drawn by the ACPR report "*Analyses et synthèses : les groupes bancaires français face au risque climatique*" (French banking groups addressing climate risks) of 2019. Beyond the risk and CSR areas, the compliance function should be further involved in governance mechanisms in order to strengthen the monitoring of the liability risk and its potential impacts (both legal and financial) while allowing individual institutions to remain flexible in their implementation of these mechanisms.

As part of its reflections on the involvement of governance bodies, the ACPR led a working group with banking entities from the financial centre that led to the publication, in May 2020, of a best practice guide on the governance and management of climate risks[12].

An identical approach is under way with insurance undertakings.

Finally, almost all (78%) of banking institutions and all insurers have implemented a periodic monitoring, mostly annual, of the fulfilment of commitments with the involvement of organisations (operations departments, risk management, business line management, CSR department…) that differ from one institution to another. We also noted the emergence of CSR teams and ESG committees that coordinate the monitoring of work related to the climate issues.

In conclusion, the Paris financial centre has therefore created a common set of commitments that can be found in the vast majority of entities. These commitments demonstrate the real willingness of the market's financial players to tackle the climate issue, especially since they are made in the absence of any real market standards.

Since Article 173 of the Energy Transition Act encourages the development of various indicators and measurements to allow for the selection of best practices, financial actors are faced with heterogeneous, complex and evolving methodologies for the calculation of climate-related financial indicators.

2. Financial players faced with the challenge of the lack of convergence of methodologies

2.1 Diverse and evolving methods

2.1.1 The complexity of methodologies used affects different commitments in varying ways

Certain categories of commitments do not involve particular difficulties. For example, when considering the entity's internal policy and carbon footprint, the commitments relate to targets for the reduction or offsetting of greenhouse gas emissions directly related to the entity's day-to-day operation (and thus excluding credit or investment portfolios). The information has been processed for several financial years as part of strategic plans and is addressed in a communication on achieved performance.

[12] ACPR, *Gouvernance et gestion des risques climatiques par les établissements bancaires : quelques bonnes pratiques*, May 2020.

Even though a majority of market participants (16% of insurance commitments and 13% of banks' commitments) promotes this exercise, the stakes in terms of greenhouse gas emissions are relatively low within the financial sector. For example, some insurers committed to reducing their GHG emissions by 10% to 30% per full time employee within 5 years on average (2020 or 2025). To this end, some entities have implemented policies aiming at reducing energy, water and paper use or even policies to reduce employee travels by favouring videoconferencing or teleworking.

By contrast, in their replies to the questionnaire, financial institutions mentioned difficulties in the calculation of certain indicators, in particular those relating to the alignment of portfolios the temperature measurements and calculation methods of which are recent and, as such, still evolving. Furthermore, the models used are subject to recurring changes, with major impacts on the results.

In order to establish the climate path of their portfolios, the vast majority of players use “scopes” 1 and 2 for the calculation of their portfolio carbon footprint. Beyond that, more than half of insurers (53%) and 44% of banks incorporate at least part of the scope 3. 22% of banks announced that they would soon be integrating scope 3.

Box 1: Scopes 1, 2 and 3 of Greenhouse Gas Emissions (GHG)

Scope 1 consists of GHG emissions directly related to the production and business activities of firms.

Scope 2 corresponds to indirect GHG emissions related to the energy consumption necessary for the production or activities of a firm.

Scope 3 includes other GHG emissions indirectly produced by a firm upstream and downstream of that firm’s entire value chain, which are induced by the activities of the organisation but arise from GHG sources owned or controlled by others (commodity purchases, transportation, use and end of life of goods and services sold, etc.). It is essential to calculate these emissions in order to understand the dependence on GHG, even though the responsibility of a given entity in these emissions is often shared with other sectors.

Accounting for scope 3 is an important issue for the financial sector in that it allows for the inclusion of emissions from the entire value chain of the financed undertaking.

However, the recognition of scope 3 may give rise to “double or triple counting when assessing a financial portfolio” according to respondents.

There are also several barriers to a precise measurement of scope 3 in the context of the estimation of portfolio alignment:

- The availability and reliability of information provided by issuers and/or provided by external service providers (often based on modelling);
- The lack of human resources, within institutions, to collect information for each issuer;
- Excluding the coverage of methodologies for certain assets such as sovereign loans or retail loans.

A number of methodologies are identified for the calculation of portfolio alignment, including:

- Science Based 2 °C Alignment (SB2A), developed by I Care & Consult;
- Carbon Impact Analytics (CIA) by Carbone 4 AND MIROVA;

- Or Paris Agreement Capital Transition Assessment (PACTA) by 2° Investing Initiative. In addition, some groups use internally developed methodologies, such as CREDIT AGRICOLE SA with its P9XCA method.

Box 2: Some methodologies for measuring portfolio alignment

The calculation of portfolio alignment differs from that of the carbon footprint. A carbon footprint approach is a "photographic" exercise that aims to estimate total CO_2 emissions from a portfolio at a point in time. It allows the institutions involved in combating global warming to identify and target the carbon intensive sectors.

The alignment approach should be a "videographic" or forward-looking exercise that aims to compare CO_2 emission or investment trajectories projected in sectoral or geographical scenarios for the companies in the portfolio with the anticipated trajectories to achieve a given level of warming. Technological breakthroughs are considered to assess the suitability of a portfolio with a given scenario (e.g. electric vehicles on the rise compared to internal combustion vehicles).

When the methodologies take into account investment paths, they allow banks and insurers to know the volume and pace of investments a counterparty needs to abide by in order to align their portfolio with a 2°C path at the aggregate level. However, most methodologies only look at the CO_2 emission paths.

As stated, the calculation methodologies for the alignment of firms and portfolios are still recent and disparate and yield divergent results for the same portfolio. A presentation of some of the methodologies used by banks and insurers can be found below.

Methodologies	Players	Principles
SBTI (Science Based Target Initiative)and SBTI-Finance	Carbon Disclosure Project, UN Global Compact, Global Resources Institute and WWF (World Wildlife Fund)	The targets adopted by firms to reduce greenhouse gas emissions are considered to be "science-based" if they conform with the level of decarbonation required to limit global warming to 2°C. One of the proposed "science-based" approaches is for example the sectoral decarbonation (SDA - Sectorial Decarbonation Approach), based on the the B2DS scenario[13] developed by the International Energy Agency (IEA). It thus proposes to integrate an issuer's data by comparing it to the carbon budget of the sector studied, to activity projections and to carbon intensity.
PACTA (Paris Agreement Capital Transition Assessment)	2 degrees Investing Initiative (think tank)	Free access software that analyses the alignment of portfolios of shares, bonds or loans with various climate scenarios. On 21 September 2020, the banks that signed the Katowice Agreement jointly published a first report on the application of the PACTA methodology initially developed for

[13] Transition scenario developed by the IEA consistent with a warming objective well below 2°C.

		bond and equity portfolios to their credit portfolios[14].
Carbon Impact Analysis	Carbon4Finance	Calculation of the carbon impact ratio (CIR) defined as the ratio between avoided emissions and GHG emissions induced by investments (scopes 1, 2, 3 for "high stakes" sectors such as energy, 1 and 2 for "low-stakes" sectors). The analysis is complemented by a forward-looking qualitative approach ("climate strategy" indicator).

For a mapping of methodologies and actors in relation to the development of portfolio alignment indicators, please refer to the report published by the Louis Bachelier Institute in July 2020.[15].

Despite these challenges, the vast majority of banks (78%) and insurers (65%) surveyed confirmed their commitment or expressed their desire to commit in the near future to aligning their portfolios with a 2°C climate path.

2.1.1.1 Difficulties in defining the green share

These issues on the measurement of portfolio alignment are also reflected in the category of commitments concerning "green finance and investment policy".

The green share of assets can be based on the current "green" content of the portfolio (static) or on future (forward-looking) expenditure. Similarly, some entities only consider as "green" financial assets issued by entities in low carbon sectors, while others incorporate financial assets, which are not limited to "green" bonds, aimed at enabling an entity to green its productive system independently of the business sector. However, in some cases, commitments relating to green investments are limited to bonds.

The calculation of the green share also varies depending on the type of issuer:

- The "green" nature of an asset from a sovereign issuer can rely on the share of low carbon energy sources in the energy mix, which leads to the issue of defining a low carbon source that may vary depending on the actors (see the nuclear debate in relation to the European green taxonomy).

- The "green" assets of entities can be determined by using a sectoral breakdown of income using a predefined standard (e.g. Certified Climate Bonds by the Climate Bonds Initiative[16]), or an internal

[14] See 2ii, "Credit Portfolio Alignment" An application of the PACTA methodology by Katowice Banks in partnership with the 2 Degrees Investing Initiative, September 2020.

[15] Institut Louis Bachelier et al., "The Alignment Cookbook – A Technical Review of Methodologies Assessing a Portfolio's Alignment with Low-carbon Trajectories or Temperature Goal", July 2020.

[16] The Climate Bonds Initiative is an international organisation that has developed, among other things, a certification system (Certified Bonds) to certify the green nature of a bond, loan or other debt instrument. A set of pre-emission criteria (sectoral criteria, identification of an auditor…) and post-emission criteria (monitoring and reporting procedures) of the debt instrument must be met by the issuer in order to obtain certification.

business repository (e.g. Green Weighting Factor Factor of Natixis), or, in the future, European taxonomy[17].

Once the green nature of the issuer is established by the bank/insurer, financial entities can again adopt varying approaches by considering as green finance all financing provided to a firm or only asset issuances related to green projects.

2.1.1.2 The scope of the portfolio concerned

The scope and coverage of portfolio analysis are also strong variables in the chosen methodologies for both the calculation of the carbon footprint and the alignment of the portfolio or the green share of the portfolio or investment.

For example, portfolio analysis rates differ depending on issuer category (States or firms) and assets typology (equity, bonds, property).

It is therefore important for entities to report on the types of assets analysed and the coverage rate per type of asset (e.g. X% of the portfolio of corporate shares or corporate bonds have been analysed), which is not the case for all entities today.

2.1.1.3 Reliance on external service providers

Taking into account, on the one hand, the complexities attached to the various categories of commitments and, on the other, the ability to have enough internally available resources, institutions (banks and insurers) frequently use external service providers to assist them in their reflections on the following main issues (see Table 1 below).

Table 1: Service providers and methodology for portfolio or balance sheet assessment

	Measurement methodology				
	Alignment of portfolios	**Carbon footprint**	**Carbon footprint of immovable assets**	**Exclusion policies**	**ESG rating**
Identified service providers (consultants, credit rating agencies)	CARBONE 4	S&P TRUCOST	ELOGIA	URGEWALD	VIGEO EIRIS
	CARBON DELTA	VIGEO EIRIS	DEEPKI	SUSTAINALYTICS ESG RATINGS	ISS ESG
	BEYOND RATINGS (LSEG) CLAIM	ECOACT	ECOACT	ISS-OEKOM	DXC

[17] Regulation (EU) 2020/852 of the European Parliament and Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. More specifically, the Regulation defines activities that contribute to climate change mitigation and climate change adaptation.

	2 DEGREES INVESTING	SEQUANTIS		MSCI	MSCI
	427			S&P TRUCOST	

Source: ACPR based on the replies to the questionnaire

This list of services is by no means exhaustive since these external service providers also intervene in occasional assistance missions related for example to the application of TCFD recommendations and the publication of the relevant report, the assessment of the physical risk, the certification of implementation of the climate policy, extra-financial rating, etc.

2.1.2 An effort by the financial community to select best practices

2.1.2.1 A move towards transparency

Despite the difficulties inherent to the pioneering aspect of this work, the efforts made by institutions to communicate on these particularly technical topics are real. In this will for transparency, the institutions communicated about their current methodological limits as well in their answers to the ACPR's questionnaire, as in their TCFD report when they publish it.

SOCIÉTÉ GÉNÉRALE and BNP PARIBAS report on the state of progress of their work within the Katowice Commitment[18], which aims to develop methodological tools to align, according to a sectoral approach, credit portfolios with the objectives of the Paris Agreement.

Some entities such as BNP PARIBAS CARDIF make up for differences in results depending on the methodology used by using and communicating on figures based on two different methodologies, with the calculation details provided (see Annex TCFD BNP PARIBAS's report). For example, the results presented for the portfolio temperature indicator are obtained by using both the Carbon Impact Analytics (CIA) method and the Science Based 2°C Alignment method (SB2A) (see below).

Finally, on the banking side, the inventory of commitments on the transparency of information (11% of total commitments) showed strong support for the TCFD. These commitments materialised in the mid-2020 publication of BNP PARIBAS's and CREDIT AGRICOLE SA's TCFD reports, following that of SOCIETE GENERALE in 2019.

HSBC FRANCE group is incorporated into the TCFD report of its parent company HSBC Holdings, and the CAISSE DES DÉPOTS communicates on its self-assessment.

Finally, the BPCE/NATIXIS group announced the publication of a TCFD report in 2021.

[18] Commitment of five international banks, including BNP PARIBAS and SOCIETE GENERALE, to measure the climate alignment of their credit portfolio and explore ways to gradually direct the financial flows of their credit activity towards the objectives of the Paris Agreement. Support for the objective of "making financial flows compatible with a low greenhouse gas emission and climate-resilient development profile", in accordance with Article 2.1 c of the Paris Agreement. Commitment to develop open source methods and tools to measure the alignment of credit portfolios with the objectives of the Paris Agreement. Aspiration to lead the implementation of these methodologies and tools in the effective alignment of their credit portfolios with climate objectives.

These initiatives, undertaken on a voluntary basis for banks[19], contribute to the financial centre-wide effort towards sharing best practices. A first appraisal of the efforts made by the financial players involved in the TCFD was carried out in connection with this report and is presented in a dedicated study (see also focus 1)[20].

2.1.2.2 An effort to achieve convergence

It is also important to emphasise that entities are involved in initiatives aiming at a methodological convergence among peers on these topics, such as a working group on methodological convergence for the alignment of portfolios within the Net-Zero Asset Owner Alliance[21]. This coalition includes international insurers and investors, including ALLIANZ, AXA, GENERALI, CNP, and AVIVA. Moreover, entities (ALLIANZ, GENERALI) declare that they take into account, as of today, the contributions of the green taxonomy proposed at the European level to estimate the green share of investments.

This convergence effort also led to the publication of the best practices guide to governance and climate risk management under the aegis of the ACPR (see above).

2.2 A level of detail and pedagogy in the information that is still uneven among entities

Clarity on the purpose of the commitments, as well as transparency on the content and limitations of the methodologies, are paramount to enable monitoring over time, to evaluate the commitments made and compare actors.

However, the marginal but real persistence of an assimilation of actions, on the hand, falling within the scope of the CSR and, on the other hand, the anticipation of the transition risk, the lack of prioritisation between commitments and an inconsistent educational effort are all elements that can reduce the readability and traceability of the climate commitments of financial entities for investors and the general public.

2.2.1 Residual confusion between CSR and the climate issue

Commitments regarding tobacco or weapons issues were listed in the answers to the ACPR questionnaire. This reflects the marginal but diffuse persistence of a CSR approach to the climate issue instead of a risk-based approach.

The answers to the question relating to the identification of positive or negative externalities linked to the implementation of commitments were, sometimes, misunderstood or misinterpreted as a measurement exercise via the availability of a tool and of specific metrics. They also reveal, in some institutions, a climate action that has more to do with a desire to match that of the rest of the financial community. The highly competitive context, coupled with the considerable media coverage of the financial commitments of financial players (reputational risks) may create biases in the understanding of the implications of climate risks for finance, including the physical and transitional risks.

[19] Regulatory requirement for insurance companies subject to Article 173-VI.
[20] AMF, TCFD Climate Reporting of financial players: Review of the reporting practices of ten French players, December 2020.
[21] https://www.unepfi.org/net-zero-alliance/net-zero-alliance-call-for-comment-alliance-methodological-criteria

A better understanding of the transition challenges faced by financial institutions also requires a better identification of the potential negative impacts of their economic and social commitments, especially those related to a halt in the financing of coal or other fossil fuels.

The emulation effect of the Paris financial centre remains, in this case, positive, since it pushes all players to commit to the fight against global warming, but does not always seem to be based on the same mobilisation rationale.

This difference in approach can be observed both between different financial entities and within the same organisation, between different departments or teams or between management and operational bodies.

2.2.2 Insufficient distinction between commitments

The differences, in terms of importance and rationale, between the categories of commitment are rarely highlighted in the responses to the questionnaire or in bilateral interviews.

Institutions tend to present different commitments as existing a level playing field without distinguishing:

- those that are more in line with a CSR logic, such as the entity's internal policy and carbon footprint commitments related to its direct day-to-day operation,
- and those that are related to financial climate risks -commitments to reduce a portfolio's GHG emissions or alignment with the objectives of the Paris Agreement.

2.2.3 A lack of transparency in some cases

The use of external service providers is the corollary of the complexity of the abovementioned methodologies. For example, all seven insurers committed to portfolio alignment, with the exception of one entity, use a service provider (CARBONE 4, CARBON DELTA and BEYOND RATINGS). In most cases, entities explain the methodology used by the service provider in their non-financial documentation, but some entities cut corners on the demonstration of the methodology by only mentioning the provider and the results obtained.

In the same way, certain commitments made within the framework of private or public initiatives or coalitions remain unclear. Often, they only mention a body or coalition without providing information on the objectives of the initiative, its timetable, the justification for the commitment in relation to the institution's climate policy, and that institution’s effective annual contribution.

2.2.4 Relatively widespread imprecision on the support provided to companies for the energy transition

The dialogue of financial players with their issuer clients is a lever for action shared by a majority of players: 88% of insurers say they have adopted a policy on dialogue and/or voting with firms included in their portfolio holdings.

For their part, not all banks have declared having adopted such a policy given their low level of equity ownership, but the majority of them, in their role as lenders, are developing relationships with their clients through informational and awareness-raising meetings on the transition risk. While institutions are therefore willing to engage in dialogue with customers to raise their awareness of the need to

gradually adopt a change in behaviour, their objective remains to maintain a long-term economic relationship with them. In this context, institutions do not communicate on how their actions translate with their customers or on the commitments, concessions or adaptations made, accepted or carried out by their customers.

More generally, indicators related to the practical impact of dialogue with customers and firms held in portfolios are almost always absent from the responses provided in the questionnaire sent by the ACPR and from extra-financial documentation, and qualitative information remains scarce.

3. French asset managers mobilised in a fast-growing responsible investment market

An increasing number of investors are concerned about the impact of their investments on society and the environment. In the face of this trend, promotion methods have evolved and more and more management firms have diversified their communication in order to integrate extra-financial information into the traditional financial data of their collective investment and by developing strategies focusing on environmental and social issues.

The increased sensitivity of investors to the issue of sustainable development was also reflected in the intensification of communication by management companies starting at the time of the 2015 Paris conference on climate change. The fast-increasing supply of sustainable products[22] coincides with a sharp rise of climate commitments made by these players. For illustrative purposes, the number of commitments identified by the AMF increased from about twenty in 2015 to over one hundred in 2020 for the 20 largest AMCs in the financial centre in terms of outstanding amounts under management.

The purpose of this section is to provide a situational analysis of the climate commitments made by MACs based on the two questionnaires addressed to the market participants (one more generic questionnaire (Annex 3) addressed to the entire population of management companies and the other addressed to the largest 20 AMCs). Two angles of analysis were retained: on the one hand, the characteristics of the management companies having taken climate commitments and on the other hand the specificities of those commitments.

3.1 A majority of large management companies have taken into account the challenges of global warming

3.1.1 The adoption of a climate strategy by AMCs

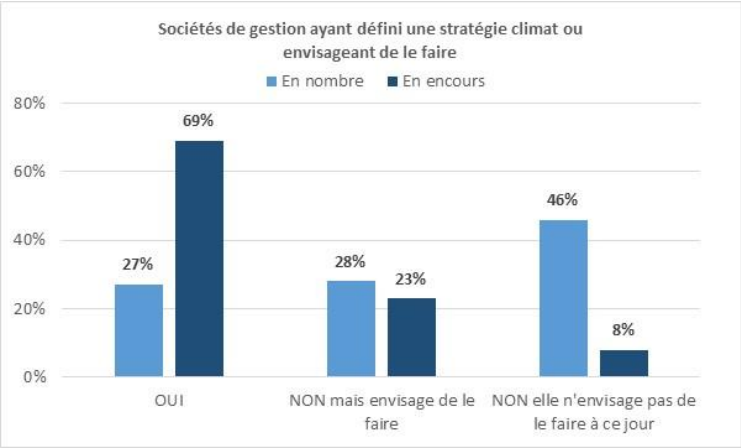
Beyond the implementation of a detailed coal exclusion strategy in the dedicated section of this report, the adoption of a broader climate strategy is one of the most common means used by AMCs to communicate their commitments to fighting climate change. This climate strategy can thus be defined as the set of actions formalised by a company to combat climate change.

Quantitative data from the questionnaire sent to all AMCs shows that less than one third of the surveyed sample, representing almost 70% of the outstanding amounts under management within the financial centre, have now developed a climate strategy. Conversely, 46% of the surveyed AMCs do

[22] According to Novethic, “in the first half of 2020 the sustainable funds market continued to expand with more than 90 additional funds… and a total outstanding volume exceeding €300 bn”.

not intend to adopt such a strategy, this portion representing only 8% of the outstanding amounts under management.

Chart 5 - *Number of management companies that have defined a climate strategy or plan to do so and outstanding amounts under management by them*



Source: AMF Basis: 506 respondents

AMCs that do not consider adopting a climate strategy are mainly specialised in the management of private equity funds or real estate (respectively 13% and 21% of outstanding amounts, that do not include a climate strategy against 7% for non-specialised AMCs), and thus also concerned with climate issues. The figures can be partly explained by the organisational structure of these generally smaller players held by more modest natural or legal persons. Thus, a significant proportion of total assets (40%) managed by very small AMCs (less than 5 employees) is not subject to a climate policy. This share falls to 5% for the largest AMCs (more than 50 employees).

Analyses have been conducted on around 10 large AMCs that stated that they were not considering adopting a climate strategy or indicated that they wanted to implement a climate policy with a broader timeframe than a 2025 horizon. The majority of these firms justify it by **citing the nature of the management strategies** and assets or securities they select. They also identify the **cost of implementing** such a policy as a significant hindrance, especially the costs associated with the acquisition of reliable climate data. The agreement of shareholders is also a prerequisite for the launch of any policy. For lack of resources, the implementation deadline is further extended.

3.1.2 Existence of climate commitments: an important communication feature

In addition to their collective investment offering taking into account extra-financial features, climate commitments are an important communication feature of AMCs to prove their involvement in climate change topics.

Of all the AMCs that responded to the questionnaire, a quarter of the participants report having made commitments as defined by the AMF and the ACPR as at 31 December 2019. The 126 companies having made these commitments account for more than 80% of the outstanding amounts managed by French AMCs. 66 firms (13% of respondents) also indicated that they have developed products that incorporate criteria related to climate issues, but without having made any commitments.

Within the population of “non-specialised” management companies, a majority have implemented an ESG initiative on a voluntary basis, or are considering implementing ESG initiatives within which climate-related components are developing. Management companies specialised in investment fund

management state that they have launched initiatives to support the firms in which they invest, while real estate management companies are a majority to focus their actions towards reducing the environmental footprint and energy consumption of their real estate assets by carrying out works to improve the energy performance of those assets[23].

In terms of figures, only 22% of non-specialised AMCs report that they communicate on such commitments against 30% for firms specialised in private equity. This slightly more significant proportion in investment capital can be explained, in particular, by the shareholder commitment initiatives implemented. Thus, out of the 48 portfolio management companies of the sector that publicly made climate commitments, 40 specify that they did so on shareholder commitments. This figure shows the importance of the relationship between the asset managers and the corporations at the time of acquisition of all or part of their capital and throughout the duration of the collaboration. In terms of outstanding, non-specialised AMCs making public climate commitments account for 85% of total amounts under management compared with 68% of outstanding amounts managed by AMCs specialised in private equity.

Out of the overall population, the players with more than 50 employees communicate the most on these climate commitments (80% of outstanding amounts), as do players the main shareholder of which is a public institution (99%), an insurance company (85%) or an investment service provider (82%).

3.2 Commitments that are still difficult to compare from one player to another

With regard to the largest 20 AMCs in terms of outstanding amounts, all, except for a single one[24], have made public climate commitments.

3.2.1 Number of commitments made by major management companies

Overall, the AMF counted 128 climate commitments, with an average of slightly more than 6 commitments per asset manager. The number of commitments among the 19 firm that took climate commitments ranged from 1 to 17 commitments, with 5 firms having made less than 5 commitments, and 3 more than 10 commitments. However, these figures should be interpreted with caution since, despite the specified mapping framework, there are significant differences in terms of the interpretation in the definition of climate commitments identified by stakeholders. **For example, some have chosen to individually identify all their commitments under collective initiatives, while others have chosen to aggregate them into a single commitment.** Such a difference in terms of granularity between players is reflected in the commitments listed on the Observatory for sustainable finance. In order to avoid the addition of biases in the transcription of the surveyed sample s' answers, their answers regarding the analysis of these commitments have been kept as is. Nevertheless, when grouping commitments from collective initiatives into a single commitment for all stakeholders, the number of commitments of AMCs then amounts to 80 (taking into account collective commitments involving several asset managers of the same group) compared with the 128 commitments identified.

[23] It should be noted that the decline in final energy consumption in buildings is a regulatory requirement, and that the downward objectives that exceed the regulatory requirement are the only ones that can be considered voluntary commitments Decree No 2019-771 of 23 July 2019 on the requirements for action to reduce the final energy consumption of commercial buildings).

[24] This participant manages special purpose vehicles (passive management). Since the company does not develop or market investment or financing products, it has not taken public climate commitments and does not intend to do so.

These figures illustrate the significant heterogeneity in the inventories of communications relating to the climate commitments made by stakeholders. The following table shows the characteristics of the commitments made by the 20 AMCS that responded to the detailed questionnaire. The results are then discussed.

Table 2: Characteristics of the 128 climate commitments made by the 20 portfolio management companies surveyed

Category	Information on commitments	Number	Percentage of total commitments
Legal entity initiating the commitment	Group	48	38%
	Portfolio management company	80	63%
Scope of the commitment	Group	38	30%
	Portfolio management company surveyed on an individual basis only	71	53%
	All group portfolio management companies	18	14%
Quantified indicators	Commitment to results	53	41%
	Commitment in terms of resources	105	82%
	Quantified objective	43	34%
Scope of the commitment	All investments (including management mandates)	42	33%
	All funds	15	12%
	Certain funds	32	25%
	Excluding investment	18	14%
Horizon of commitments	Specified maturity	21	16%

Formalisation	Through a collective initiative[25]	60	47%
	Public communication on the state of progress of the commitment	54	42%

Source: AMF from the questionnaire sent to the 20 asset management companies in the sample

3.2.2 AMCs' commitments and interactions with their parent group

Most commitments were initiated by firms without prior communication by their parent group (63%). However, several players that are subsidiaries of large banking or insurance groups indicated that they were prompted to react to the public commitments made by their parent group. For example, an asset manager stated that it was only after its parent group defined its climate commitments that a working group met at the individual level of the AMC to define the associated implementation outline. In some cases, AMCs do not communicate directly at the time when group commitments are defined. Defining commitments without having studied *ex-ante* the conditions for their operational implementation may lead to delays in application that are rarely mentioned in communications relating to these commitments, or to differences in implementation between entities of the same group, or even difficulties in application.

Moreover, the scope of application of the group's commitments is not systematically specified and may lead to a situation where some of the asset manager subsidiaries belonging to these groups consider that they are not concerned, while no statement to this effect was included in the group communication. In practice, there are few firms that make climate commitments without prior consultation with their parent group (20%).

3.2.3 Transparency of the commitments made: a difficult assessment of levels of ambition and monitoring over time

Commitments made by large French AMCs focus more on **resources (81%) than on a result** to be obtained (45%) (for example, doubling *"the amounts invested in specific environmental initiatives" or* the *"sustainable certification"* of certain assets over a given horizon). Moreover, **only one-third of the commitments made by such firms have a clearly quantified** target and only 16% have a maturity date, less than those of banking and insurance groups. Thus, it is difficult to assess the level of ambition of these communications. When citing "*work towards the alignment of portfolios to the Paris Agreement",* a *"proactive approach to reducing its environmental footprint"*, or a desire to *"design innovative solutions for the climate transition"*, it is impossible to assess the significant nature of the commitment made. Furthermore, it is rare for published commitments to indicate the **scope of the relevant investments** of the AMC, while only one-third of the commitments relate to all investments (including mandates) and only 25% relate to funds.

It is thus very frequent for the commitments made by the actors to relate only to a few funds which are often labelled or to take into account extra-financial features, and often exemptions apply (see also "coal" chapter). On average, less than half of the commitments made by asset managers apply to at least 80% of the outstanding amounts in collective management by AMCs, and slightly more than a third of the commitments concern only a maximum of 20% of their outstanding. **Commitments**

[25] Formalisation through a collective initiative can be achieved by several portfolio management companies within the same group.

arising from shareholder commitments or in connection to a fossil energy exit strategy are those that relate to the largest proportion of outstanding amounts run by AMCs, while two-thirds of the commitment to green financing and investments only covers between 0 and 20% of the outstanding amounts of the same asset managers. The exemptions typically cover formula-based funds, structured funds and index funds. Management under mandate, advisory management and dedicated funds are also subject to exemption measures and implementing rules specific for each asset manager. Where these exceptions were mentioned, such companies generally specified that they apply their commitments unless otherwise instructed by the client.

In several cases information on the scope of commitments is insufficient. Thus, commitments increase climate-friendly investment do not always provide details on the definition and scope of the selected investments. They may include dedicated funds, open-ended funds or management mandates deploying a very diverse range of strategies (low carbon funds, green bonds, green thematic funds (water, climate, decarbonation…), formula-based funds designed to replicate carbon indices, ESG-environment funds, etc.), based on a flexible definition of the contribution to the fight against global warming and to the sustainability of the environment. Usually, no information on the scope of these investments is provided.

The lack of transparency on the scope and scale of these climate commitments is also illustrated by the very wide variety of commitments identified by AMCs. Indeed, while almost **half of the commitments made by asset managers stem from collective initiatives,** including, among the most cited ones, the Montreal Carbon Pledge, Climate Action 100 + or others (Portfolio Decarbonation Coalition, PRI Just Transition, One Planet Sovereign Wealth Funds Asset Managers,…), at the same time, very few of these firms clearly communicate: the status of their commitments within these collective initiatives. Among them, 2 firms only communicating through collective initiatives do not provide information on their progress. **Only 42% of the commitments are also the subject of public communication on their state of progress.**

Where they are not the subject of a press release by the AMC or its parent group, the information on commitments is presented in the reports on Article 173, in annual reports, in commitment or voting policies for shareholder commitments or in reports/policies on sustainable investments of portfolio management companies. The variety of documents used by the various AMCs surveyed to communicate on their climate commitments does not, however, allow for a clear identification of the most common media used by stakeholders, which also depends on the type of commitments. Out of the 19 AMCss that have communicated on their climate commitments, 10 firms from 6 different groups have issued press releases for at least one of their commitments. Only 2 out of 19 that have publicly made climate commitments have a dedicated document or webpage.

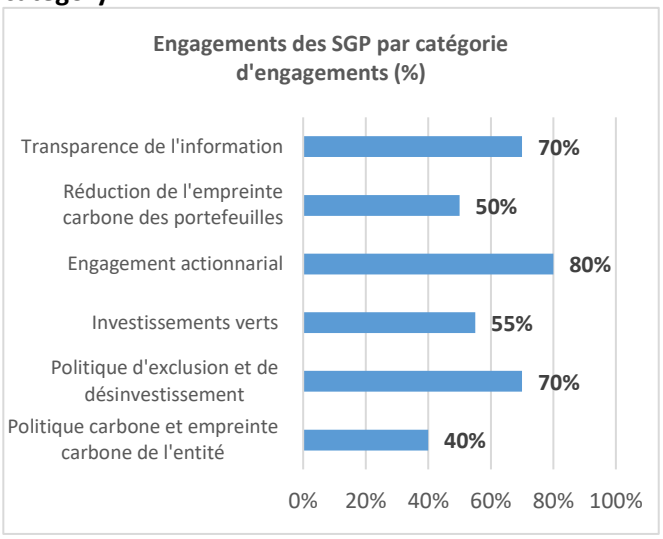
Moreover, available information is not often readily accessible and can be difficult to identify. In addition, the updating of data relating to these commitments is inconsistent and none of the companies included in the sample produces a history of progress with respect to the commitments made that would make it possible to assess the progress made.

3.2.4 Typology of climate commitments made

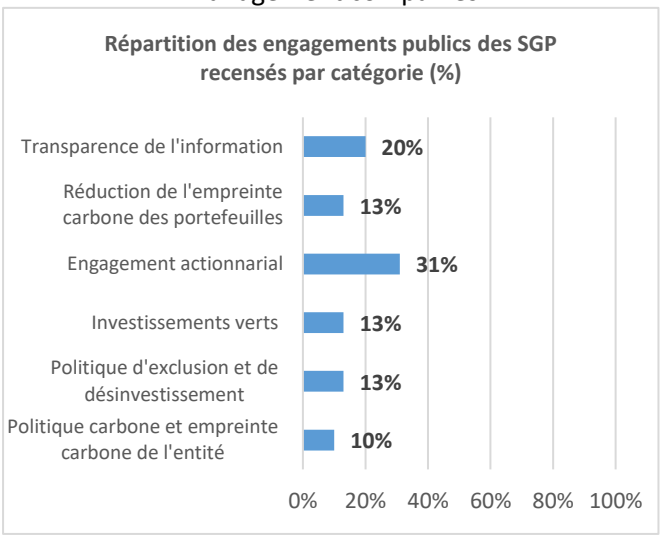
The charts below show that, at end-2019:

- The proportion of the 20 AMCS analysed that have made a commitment in each category of commitment as defined in the first chapter[26];
- The breakdown of commitments identified for asset managers according to the same categories.

Chart 6 - Commitment rates of AMCs per commitment category



Breakdown of public commitments made by management companies



Source: AMF

Almost all of the 20 AMCs analysed are implementing shareholder commitment or other business support initiatives (80%). These commitments, which represent a third of all the commitments identified, have been made by all AMCs surveyed, excluding a firm that is a subsidiary of an international group tasked with implementing the commitment policy on behalf of its subsidiary, and an asset manager developing management strategies that do not allow for shareholder commitment, and an AMC that did not list its shareholder commitment policy as a climate commitment. With regard to exclusion policies, the absence of such policies noted for six sampled actors can be explained by a publication after 31 December 2019, the date on which the climate commitments of AMCs were inventoried, as well as, in one case, by the application of policy only for the parent group of the AMC (see Chapter 3 for coal policies).

3.2.4.1 Shareholder commitments and any other commitment to assist stakeholders

As with the asset managers population as a whole, the majority of commitments made by the largest players relate to **shareholder commitments and any other commitments to support players** (31% of total commitments). The bulk of commitments in this category corresponds to participation in several collective initiatives, including Climate Action 100 + and Institutional Investors Group on Climate

[26] As a reminder, one management company among the 20 did not make any climate commitment because of its management model.

Change (IIGCC) cited on several occasions by AMCs.[27] The Climate Action 100 + initiative is a collaborative initiative by international investors whose ambition is to engage in a dialogue with GHG-intensive companies to induce them to commit to carbon neutrality by 2050, to set short and long-term objectives and to establish effective governance and strategy to contribute to the fight against global warming. IIGCC's ambition is to define common expectations among investors before using them to engage in dialogue with firms in the most carbon-intensive sectors.

3.2.4.2 Commitments regarding transparency on the consideration of climate issues

The commitments made in favour of **transparency of information relating to the consideration of climate issues** account for 20% of the commitments. Again, it is characterised by a very significant number of commitments, stemming from collective initiatives, since out of the 26 commitments identified only 10 have been made individually or in consultation with other AMCs of the same group. When they are made individually, these commitments relate to an assessment of the exposure of portfolios to climate risks (3 out of the 10 identified), a commitment to publish the carbon footprint of portfolios (3/10), or the creation or improvement of the information presented in the climate reports of players through the inclusion of climate indicators (4 out of 10). The collective initiatives identified mostly relate to the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD, see below and refer to dedicated study), and to the signature of the Montreal Carbon Pledge on informing investors about the carbon footprint of the funds in which these firms invest.

3.2.4.3 Exit strategies from fossil fuels

Commitments relating to **the implementation of fossil energy exit strategies** are the third most cited category of commitments (13% of commitments). Beyond the coal exclusion policies set out in Chapter 3 of the report, three AMCs report that they committed to an "unconventional oil & gas policy" or to the exclusion of oil sands. However, the ambition and materiality of these policies is difficult to estimate insofar as two of them do not disclose any information on the commitment and the third one stated that it no longer provides services or financial products to a pre-defined list of activities without defining an exclusion threshold associated with this list. Coal therefore remains the main fossil energy for which asset managers define explicit investment constraints.

3.2.4.4 Commitments to green financing and investment

Green investment related commitments cover 13% of commitments and aim to develop a range of funds with environmental themes (climate, energy transition, carbon offsetting funds…) sometimes labelled *Greenfin*[28]. Among the commitments identified, 2 portfolio management companies belonging to the same group stated that they wanted to design new innovative solutions for the transition.

[27] Some recent academic work has been carried out to assess the impact of commitment efforts, especially collective ones. See E. Dimson, O. Karakas and X. Li (2020), "Coordinated commitments", which focuses on the UN PRI (Principles for Accountable Investments).

[28] The Greenfin label, which was developed in 2015 at the COP 21, aims to offer guarantees to investors about the environmental criterion of collective management products. Decree No 2015-1615 supplemented by the Order from the Minister for the Environment, Energy and the Sea (since then replaced by the Ministry for an Ecological and Solidarity-based Transition) of 10 March 2016 describes the rules attached to this label.

3.2.4.5 Reduction of greenhouse gas emissions from portfolios or alignment with the objectives of the Paris Agreement

Commitments to **reduce greenhouse gas emissions or to align with the objectives of the Paris Agreement** (13% of commitments) lack further clarification by the AMCs that report reducing the carbon footprint of their portfolios without a defined objective most of the time, or without providing guidance on the methodologies and efforts deployed. In addition, few collective initiatives are cited by actors to promote the fulfilment of this kind of commitment, as evidenced by the discontinuation in 2018 of the Portfolio Decarbonation Coalition Working Group, which was coordinated by the UNEP FI.

The aim of this group was to oversee the decarbonation of assets under management by the 23 signatories. Nevertheless, an AMC indicated that it was involved in working groups to design the Science Based Target (SBT) methodology for the financial sector.

3.2.4.6 Internal policy and direct carbon footprint of the entity

Finally, few management companies define commitments that relate to the entity's **internal policy and carbon footprint** (10% of commitments). Almost all of them were communicated at the initiative of the group to which the asset management companies belong. They include various commitments, such as the reduction of the environmental footprint, an objective pertaining to the reduction of greenhouse gas emissions or to carbon neutrality targets at group level, or a variety of commitments related to building management, employee travel or the implementation of a sustainable purchasing policy. Out of the 20 AMCs, the subsidiaries of banking groups are the only ones concerned by this kind of commitment.

3.3 Both the organisation and resources allocated to the monitoring and implementing of commitments still need to be strengthened

The AMF also conducted investigations on the resources allocated by asset managers to the monitoring and governance of their climate commitments.

3.3.1 Varying governance models

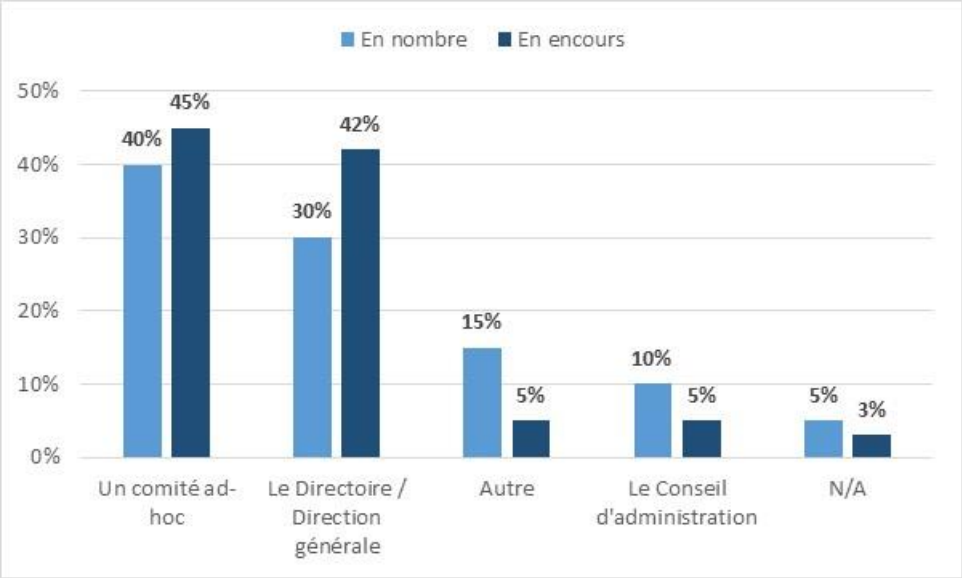
The involvement of senior management or other governance bodies in the monitoring of climate commitments varies depending on the size and importance given to these commitments by the actors considered:

- *With very small players*, senior managers are directly responsible for defining and monitoring these commitments. Sometimes supported by service providers, they are also tasked with steering them in the same way as other important decisions for the AMC. The cost and time required to follow up on them thus limit the number and scope of these commitments, which are a real strategic decision for these actors.

- *As the size of the AMC increases,* senior management is assisted by a Committee tasked with establishing and monitoring commitments over time. The Executive Board, as well as the Board of Directors, may also be called upon in medium-sized management companies with a more hierarchical structure. They are then called upon to collectively define the commitments to be made by AMCs. For such firms that are group subsidiaries, it is through these governance bodies that the

necessary budget for the acquisition of data may be decided. Many AMCs have thus indicated the need to convince their shareholders upstream, which is one of the main constraints to climate commitments.

Chart 7 - Governance bodies responsible for monitoring climate commitments



Source: AMF – Basis: 126 respondents

- *For larger companies or those that are more sensitive to the challenges of global warming*, an ad hoc committee may be set up, generally comprising representatives from asset management, risk management, the Head of Compliance and Internal Control, ESG/SRI managers and sometimes senior management. That committee is then responsible for defining the broad guidelines of AMC in relation to sustainable investment. Climate commitments are then discussed, sometimes in collaboration with other asset managers when they belong to the same group.

- Lastly, the major asset managers have a hierarchical organisation in which teams usually dedicated to sustainable investment issues periodically report on the monitoring of commitments to a dedicated committee and then to senior management.

- In all cases, the senior management of the firm is always involved in the definition or validation of climate-related commitments, which illustrates the importance of these topics.

Where it exists, the committee in charge of steering commitments has broader responsibility for overseeing the asset manager's responsible investment strategy, including addressing climate issues. This strategic Committee can also be comprised of external experts including industrialists, academic experts, investment professionals and NGO representatives. Finally, some respondents also report having an environmental strategy director, whose duties include defining the management company's climate strategy and ensuring its application within the firm.

The Management Board or the general management are most often tasked with monitoring commitments if the aforementioned committee does not exist, and a presentation on the state of progress of commitments is made annually to the Board of Directors for the majority of the 20 major AMCs. Finally, firms report on their commitments through several committees depending on the nature of the commitment (Strategic Committee, Voting Committee, Risk Committee, ESG Committee…).

These operations are often described with an unequal level of detail and information never exhaustive.

3.3.2 Dedicated human resources and monitoring frequency of the climate commitments

The commitments monitoring framework comprises various steps, including the definition of the commitment, the analysis of its impact on the management of the AMC, the allocation of human and technical resources to enable that commitment to be fulfilled, its communication to the general public, and its monitoring over time. As mentioned above, a very significant number of AMCs communicate on commitments without defining the modalities for implementation or the organisational outline. This is especially the case for major players who are not necessarily involved in the definition established by their parent group of commitments that apply to them.

Generally speaking, **the monitoring of the fulfilment of climate commitments generally remains the responsibility of the entity's CSR, SRI or ESG managers** where they exist. This is especially the case for major players (58%). In 24% of the cases, this task is assigned to compliance officers, or less often to risk managers (9%) or internal control managers (4%).

Regardless of their size, **the monitoring of commitments is mostly conducted by AMCS on an annual basis** (58% of outstanding amounts). The monitoring of commitments is presented to the firm's effective managers at the same rate (60%). Although this figure does not evolve much depending on the characteristics of the AMCS, the smaller ones, with 1 to 5 FTEs, that have communicated on commitments are the only ones that do not monitor their 17% commitments over time. However, some asset managers indicated that they monitored the commitments quarterly (20% of outstanding amounts). **Within the sampled 20 AMCs, a third states that they report on their commitments either on a quarterly basis (15%) or monthly (20%).**

3.3.3 Use of external tools and data and/or external databases, use of external service providers

The data used to monitor these commitments very rarely come from the AMCs themselves but rather from external service providers, data providers, NGOs or proxy advisors. In total, **75% of large asset managers report that they have tools in place to monitor their commitments**. These monitoring tools are in most cases outsourced tools. When internal, these tools mainly cover the monitoring of shareholding commitments with firms, which is carried out internally or through collaborative tools or platforms involving several investors. Finally, many AMCs have internally developed monitoring tools usually by the risk department that implements controls for the application of the exclusion policy.

In 49% of the cases, AMCs state that they are assisted by an external service provider in the monitoring of their commitments. *Among them are TRUCOST, CARBON 4, TPI, BLOOMBERG, INFLUENCE MAP, SUSTAINALYTICS, URGEWALD, MSCI, CARBON DELTA, 2 CII, ISS-ETHIX, GLASS LEWIS, REPRISKS or OEKOM. Depending on their size, AMCs use data from multiple service providers to support a proprietary database that can be shared with the management teams, sometimes including the reprocessing of collected data and internal calculations, or they rely on data from a single provider with no data reprocessing step.*

Large size AMCS favour the first more expensive mechanism to identify potential errors in the external databases used. In any case, it is necessary for asset managers not to limit their commitment to an external service provider's subscription not necessarily addressing to climate issues identified as significant for that portfolio management company's activities.

3.3.4 Controls on the climate commitments of management companies

In order to assess the implementation of the controls carried out on climate commitments made by the AMCs, various analyses were conducted, starting from the first questionnaire, followed by a new survey at 30 June 2020 of controls carried out by the largest asset managers in the market (since the date on which commitments were made and concerning commitments associated with performance targets), on the basis of an additional questionnaire sent to the 19 AMCs with climate commitments.

The first finding: the climate commitments of AMCs are not subject to systematic supervision by the relevant departments. Of the 19 firms having disclosed climate commitments, only 11 report that they carry out periodic monitoring on the fulfilment of these commitments. However, there are significant differences depending on the nature of the commitments made.

Commitments that result in the exclusion or gradual divestment from certain sectors or issuers due to their negative contribution to global warming are typically the subject of pre-trade blocking and post-trade monitoring under the responsibility of risk management functions. The risk management directorate then implements first-level controls in the management tools using blocking rules on prohibited securities and then checks that the securities in the portfolio belong to the eligible universe after application of the exclusion policy.

Where such a mechanism does not exist, it is the direct responsibility of the asset managers to list the positions held on companies operating in the sectors under surveillance or excluded by the AMCs's exclusion policy. Managers must then define an exit plan and inform their control or risk directorate of it.

Management teams (level 1) and the permanent risk management function (level 1a) are also called upon to monitor certain investment constraints related to certain climate commitments. Several AMCs report that they have tools in place to monitor compliance with specific investment constraints, such as the carbon footprint objective of a fund in relation to an investment universe. This tool enables the manager to assess the “carbon” data of his portfolio on a daily basis.

In the context of calculating of other climate indicators, several AMCs report that they check the consistency of data transmitted by the providers behind these calculations. The teams in charge of the responsible investment policy are then called upon to review these calculations and reject the data obtained in the event of an identified error. However, data from external service providers is not always checked by AMCs.

For other commitments related to the production of reports or climate information that was not issued by an external service provider, the responsible investment or marketing teams are responsible for updating the documentation before it is reviewed by the compliance teams.

Finally, with regard to voting and shareholder dialogue policies, the voting manager ensures that climate issues are taken into account by presenting a summary of the results of the AMC's votes to his committee on a yearly or half-yearly basis.

Two firms also reported to the AMF that they did not have formalised controls in place for their climate commitments because they were initiated by their parent group. However, they indicate that they contribute to the fulfilment of the commitments’ objectives and report all their actions through reports or committees held with their parent group. Two other AMCs have indicated that they do not carry out controls on their resources-related commitments, which are not associated with verifiable quantitative objectives.

The compliance and internal control departments usually carry out annual controls to ensure that the arrangements for monitoring existing commitments comply with regulatory requirements. A review of the applicable policies and procedures is carried out and audits are conducted on the implementation of the first level controls. In the context of its permanent second-level control function, such control may also pertain to the management process and its compliance with the rules of a label. Numerous portfolio management companies also indicate that they check the compliance of the regulatory information related to the Article 173 report. The adequacy of technical and human resources, the monitoring framework for climate commitments and the progress of climate commitments are very rarely reviewed by the compliance teams in their control plans.

Risk departments, and to a lesser extent, the ESG/sustainable Committees appear more involved in the monitoring of climate commitments. For example, several stakeholders state that they monitor the implementation of the voting policy on an annual basis through their risk directorate in order to monitor the compliance with all commitments that involve an investment constraint.

The majority of other commitments are not subject to any second-level control. Where they are subject to such control, a steering committee or climate or ESG experts review the first level checks carried out. An asset manager stated that since these other commitments do not, strictly speaking, involve any investment limits, there is no associated second-level control.

Finally, audit missions are carried out on average every 3 to 5 years by the general inspection teams of the AMCs that are subsidiaries of banking or insurance groups. The scope of these missions is nonetheless very broad and may include the review of all the processes of the firm, or reviews on the ESG topic in general with a focus on checking the implementation of regulations, the control and monitoring of the ESG rating framework for companies, the control and verification of reports prepared by the ESG/responsible investment teams, the configuration of systems and their tools, or the process for monitoring and making recommendations on the voting of corporate resolutions.

This audit can also be performed by a certifying body specialised in labels or a statutory auditor who will assess, *inter alia*, the extra-financial reporting process and verify that the disclosed elements are accurate (consistency checks, exchanges with the various internal stakeholders…). At the end of June 2020 only three AMCs indicated that they had conducted, or are in the process of conducting, an audit that includes their climate commitments.

Focus 1: TCFD reporting practices of French financial players: main findings of the study

The Task Force on Climate-Related Financial Disclosures (TCFD) was created at the end of 2015 at the request of the Financial Stability Board (FSB). In 2017, it published recommendations for structuring clear, comparable and consistent information about the integration of the risks and opportunities arising from climate change in the strategic decisions of corporate and financial institution. The ultimate goal is to allow for a more informed and efficient allocation of capital to facilitate the transition to a low-carbon economy.

At the end of 2020, more than 1,500 organisations had signed the TCFD[29], the recommendations of which were incorporated into the European Commission's guidelines on climate reporting issued in June 2019. At the French level, 67 companies have already signed. Among these, 39 belong to the financial sector, including 3 banks, 1 insurance company and 29 asset management companies[30].

Given the complexity of the matter, the high level of ambition of certain recommendations and the methodological difficulties associated with them, the TCFD reporting framework provides for a gradual assimilation by signatory firms, with a view to continuous improvement. It was against this background that a first assessment of the current TCFD climate reporting practices was conducted. This work also **follows up on and assesses how participants meet their voluntary transparency commitments** following their adherence to the TCFD, and the challenges they encounter. The main findings are presented below and detailed in the paper published at the same time as the report.[31]

1. Methodology

The sample is composed of 10 French financial players[32]. The coverage of all 64 reporting elements provided for by TCFD and a qualitative assessment of the published information were published.

2. Main findings

A useful and ambitious exercise that is gradually being mastered

In line with the Task Force's philosophy, actors are part of a learning process and different levels of maturity are observed in the reports. Three main contributions are noticed by the actors involved in the process:

- The TCFD sometimes provides significant support in the structuring of institutions' initiatives;
- The publication of information on climate factors encourages institutions to develop internal expertise on the topic and to decompartmentalise the management of climate issues;
- It has enabled the most advanced actors to report on the difficulties encountered, the solutions provided and their limits as part of a drive for continuous improvement.

[29] Signing the TCFD does not automatically entail any commitment to publish a TCFD report.
[30] Other industry participants are represented (pension funds, financial intermediaries, stock exchange, credit rating agencies).
[31] AMF, TCFD Climate Reporting in the financial sector: *Review of the reporting practices of ten French players, December 2020.*
[32] AMUNDI, AXA, AXA IM, BNP PARIBAS, CREDIT AGRICOLE SA, LA BANQUE POSTALE ASSET MANAGEMENT, LYXOR ASSET MANAGEMENT, OFI ASSET MANAGEMENT, SCOR SE, SOCIETE GENERALE.

Analyses that are still difficult to integrate to the overall strategy

Apart from setting business objectives on “green” products, the integration of climate factors into the overall strategy of the firm remains a challenge for signatory institutions and has yet to be demonstrated. For example, if information on governance is generally sufficiently detailed by stakeholders, it does not really capture the impact of climate factors on the firm's structuring decisions and the way it conducts its business on a daily basis.

The TCFD's objective of publishing information useful for decision-making and for understanding the financial risk associated with climate change has yet to be achieved

The low level of comparability of the methodologies and tools currently available and issues on the reliability of the data partly explain this finding. These weaknesses generate internal obstacles to the appropriation and deployment of the forward-looking reasoning encouraged by the TCFD. These limits underline the need for further methodological research efforts, both individually and through market initiatives, as well as educational efforts. In addition, several important pieces of information remain superficially addressed: the involvement of the highest bodies and the impact on strategy (see above), as well as the processes in place to better demonstrate how the undertaking is tackling the climate issue.

Integration into the usual risk management framework has been initiated

While a significant number of climate risk analysis and management tools are set out in the TCFD reports, their integration or impact on asset allocation or financing decisions has yet to be demonstrated, although the institutions indicate that they intend to move in that direction.

To date, two types of climate risk analysis have been developed: a *macro*-level analysis, leading to the identification of generic risks as mentioned by the TCFD, the mitigation of which is supposedly ensured by the tools presented, as well as an analysis at *micro* level, issuer by issuer, which translates into the climate scoring of firms, typically within the framework of the ESG rating that is also carried out. Nevertheless, the way in which each of these processes constitute effective ("mitigating") responses to the identified climate risks is not usually explained, making it impossible to understand how they reduce the gross risk.

Transparency and pedagogy are key objectives

Since experimentation is at the heart of the approach proposed by the TCFD, it is sometimes accompanied by strong uncertainties in the tools used. Transparency therefore appears to be key to account for these uncertainties. However, the level of transparency varies in the sample, which can be explained by:

- The approach chosen by players: an internal and external pedagogical tool or a more conservative approach through annual reporting;
- Concerns about risks of misinterpretation of the information disclosed;
- The publication medium -universal registration document or other- which affects the freedom of tone that actors have;
- Some publications compare the indicators with activity-related data without specifying how these indicators are taken into account in decision-making.

As in other non-financial areas, and as shown by climate commitment monitoring analyses, the TCFD reports analysed use a wide variety of metrics. While the novelty of the exercise has not yet led to harmonisation, it has nevertheless encouraged innovation. Transparency regarding the actions undertaken, their actual use and their limitations is a key factor in advancing the maturity of practices.

3. Identified work avenues

The detailed study highlights best practices among the analysed reports and emphasises focal points similar to those identified in the context of the climate commitments analysis. The report therefore sets out the main lines of work for the players involved in a TCFD reporting approach. These lines of work, which draw on the recommendations made in Chapter 4 regarding climate commitments, are mainly aimed at:

- Increasing **the accuracy** of published information;
- Increasing **the consistency of the information** provided between the various pillars of the TCFD and the entity's business model;
- Increasing **transparency** on the uses and limits of the tools and methodologies used by actors, and the scopes concerned by each analysis or process described.

Chapter 3 - "Coal" policies

Work on the "coal" policies of Paris Place participants was conducted by authorities on the basis of public information and detailed questionnaires sent to the largest players in the Place (see Chapter 1 and Annex 2 for the sample), complemented by numerous bilateral interviews and exchanges between July and September. The analysis focused on several aspects:

- A **qualitative comparison of policies** in force and published on 31 July 2020 (criteria and thresholds, scope, defined exit strategy, governance, means and processes for monitoring);

- this analysis, based on the institutions' reporting and their exposure to issuers identified in particular by the Global Coal Exit List (GCEL), aims[33] to achieve a first stage of the market's aggregated exposure and its evolution; an assessment of the exposure of French banks, insurers and funds **to solar coal as at 31 December 2019: this analysis, based on the institutions' reporting and their exposure to issuers identified in particular by the** Global Coal Exit List (GCEL), aims to achieve a first stage of the market's aggregated exposure and its evolution; In the case of investment funds, it is accompanied by an analysis of the composition of the exposure by issuer and, in the case of banks and insurance, complementary *analyses based on supervisory data or portfolio composition data;*

- An **online line study of some of the largest managers to check the implementation of the policies** and to understand the reasons for the presence of thermal coal issuers in portfolio (according to the thresholds chosen by the *Global Coal Exit List*).

- **An analysis of the exit and removal strategies for thermal coal, compared with the information provided by sample participants.**

The outcome of the work has a set of expectations set out in Chapter 4, following the general expectations of "climate" commitments. Before presenting the work and conclusions, a quick presentation of the coal sector is made. Readers may also refer to Annex 5, which provides further details on the subject.

1. Context of coal exit policies

The important contribution of the coal industry to global greenhouse gas emissions justifies the attention it has had for many years. The International Energy Agency (IEA), among other things, believes that a significant reduction in the share of coal in the world energy mix[34] - now second after oil and the first source of electric energy - needs to be significantly reduced in order to achieve the objectives set by the Paris Agreement. This implies, in particular, reducing power generation capacity from coal.

[33] See Annex 4 for the criteria and thresholds retained by the GCEL.
[34] This would increase from 26% in 2019 to 17% in 2030, in its scenario of Sustainable Development.

1.1 Uses of coal

Coal is a generic term that encompasses two broad industrial uses: metallurgical **coal, also** called **coking coal** or **steel** coal, assorted with a high calorific power and used for the production of steel, and other varieties of coal grouped under the **term thermal** coal, solely intended for energy use. However, the boundary between these categories is porous since metallurgical coal can be used in energy production.

In 2018 metallurgical coal accounted for 12.5% of world production (in tonnes) and the steel industry accounted for 12.3% of world consumption (in tonnes) [35].

Thermal coal therefore accounts for the bulk of coal production and demand. The energy supply sector is the world's largest consumer of coal, with 67.4% of consumption in 2018 (in tonnes). It covers electric generation (71.5% of the energy supply of coal to the energy supply sector in 2018[36]), combined heat and power generation (27.5%) and production for heating networks (1.0%). The industry is the main alternative source of demand for thermal coal, in particular steel and cement.

The definitions of thermal coal and metallurgical coal can vary according to the methodologies adopted. For example, in order to determine issuers whose income derives from the thermal coal value chain and which are included in its *GCEL list* (see below), the NGO URGEWALD does not take into account industrial uses other than those of the energy sector. Then the GCEL excludes the steel industry but also the cement industry, even if this a case of thermal use. Moreover, it should be noted that the activities taken into account concern the entire value chain and not only energy production, including: extraction, processing, trading, transport and logistics, equipment, maintenance and operating services, transmission and distribution of electricity.

1.2 Impact of coal on global warming

According to the IEA, **coal is the fossil fuel that has contributed the most to global warming**. Cumulative CO_2 emissions from coal combustion are responsible by the end of 2018 for a share equivalent to 0.3°C of the total 1°C increase in average annual temperatures at the earth's surface compared to pre-industrial levels[37]. Although coal has been supplanted by oil as the primary source of energy since the 1960s, **it remains the main source of greenhouse gas (GHG) emissions worldwide**, through the activities included in its value chain.

Upstream, coalmines are responsible for 10% of methane emissions in 2018, amounting to 0.97 $GtCO_2eq$[38]. Downstream, coal combustion – then called thermal coal - accounts for 39% (or 14.8 Gt) of global CO_2 emissions in 2018, making it the activity with the highest GHG emissions (28% of total emissions without land-use, change in land allocation and forestry)[39].

[35] International Energy Agency, Statistics Report - Coal Information Overview, *2020.*
[36] Calculations based on IEA global energy balance sheet data.
[37] International Energy Agency, Global Energy and CO 2 Status Report 2019, *March 2019.*
[38] Quantity of CO_2 triggering the same radiative forcing as the gas in question. Methane has a cumulative warming potential of 100 years from 28 to 30 times higher than CO_2.
[39] Dutch Environmental Assessment Agency, *Trends in Global CO_2 and total greenhouse gas emissions,* 2019. The report consolidates several sources, including the IEA and *the EDGAR database* on GHG emissions from the Common Research Centre of the European Union.

Compared to other fuels, coal accounts for 44% of CO_2 emissions in 2018, ahead of oil (34%) and natural gas (21%), while it is only the second most important primary energy source (26%) after oil (31%) and ahead of natural gas (23%).

This disproportion is explained by the significant contribution to CO_2 emissions from coal-fired electricity and heat production, which exceeded 10.1 GT in 2018, or 73% of the emissions of the all fuel sector combined. Indeed, coal continues to occupy the first place in the production of the world's electricity and heat - around 38% of the energy produced in 2018 at a stable level since 1990.

2. Banks' "coal" policies

2.1 Existence of a coal policy

The banking groups examined[40] in this study all have a coal policy in place. This policy translates into one or more dedicated commitments, either directly - such as a nominal exclusion of some coal-related investments - or in general - one or more fossil-fuel-related commitments.

Out of the 100 or so public commitments identified as having been made by banking institutions, 18 were dedicated to coal, nearly one in six. Some institutions have one public commitment dedicated exclusively to coal (BNPP, La Banque Postale, HSBC), others have two (AFD, Crédit Agricole) or even three dedicated commitments (such as BPCE or Société Générale).

This purely quantitative census does not in any way prejudge the quality of the policies put in place, since a large number of "coal" commitments can be as much a communication strategy as a robust exclusion policy. Some of the multiple "commitments" within the same institution can therefore simply consist of the description of the institution's policy, divided into several components.

In total, three major findings can be made in connection with the banking sector's formal "coal" commitment:

First of all, banks have rather heterogeneous formal approaches. For example, some institutions chose to summarise their "coal" commitment into a single commitment, while others preferred to develop it and divide it into several announcements.

Second, some banking groups have long been involved in defining and implementing a coal policy. Some, such as BNP Paribas, set out a first exclusion policy in 2011, AFD in 2013, La Banque Postale or Société Générale in 2014. Crédit Mutuel Alliance Fédérale, Caisse des Dépôts or Crédit Agricole adopted specific measures in 2015, others in 2019 (such as Crédit Mutuel Arkea). Each of these policies has been regularly reviewed and amended over the years. The latest updates are often from 2020, in line with the market commitment of 2 July 2019. The criteria reported for this analysis were in many cases modified after the investigation deadline, originally set at 31 December 2019.

Finally, the governance associated with the establishment and definition of coal policy seems relatively homogeneous. The implementation of this coal policy is systematically validated at a high level, usually by the Board of Directors.

[40] The French Development Agency (AFD), BNP Paribas, la Banque Postale, HSBC France, Crédit Agricole SA, BPCE Natixis, Société Générale, Caisse des Dépôts, Crédit Mutuel.

2.2 Scope and ambition of this policy

2.2.1 The difficulty of measuring the actual «coal» exposure

For credit institutions and finance companies that still report a coal exposure, the measurement of the effort undertaken by each group remains difficult to establish, barring a common method of calculation of the coal exposure.

As with the case of insurers, to estimate such an effort would above all require, institutions to monitor and assess their "coal" exposure. With the exception of two institutions, most of them were not able to provide such estimates.

Questioned on this point, most institutions explained that there is currently no common approach for estimating efforts. However, a group led by the *Fédération bancaire française* (FBF, the French Banking Federation) has been working on harmonising the calculation methods for the coal exposure, a draft of which was delivered in October 2020, which should make it possible to improve the quality of the analyses in this area.

In response to the ACPR questionnaire and in follow-up interviews, five banks submitted some figures, all indicating low exposure to coal.

However, since such indications are fragmented and not harmonised, they only form a first set of indications, without definitive conclusions at this stage.

First, as the amounts submitted do not always distinguish clearly between shares, bonds, equity interests, hedging products and loans, it is not clear whether participants take into account all "coal" lines, or only loans, and whether or not they include derivatives.

Furthermore, the sectors linked with "coal" activities considered in the measurement of this exposure vary from institution to institution: while some comprise transportation, others seem to exclude it from their approach.

Finally, in some cases, it is difficult to determine whether the amounts disclosed correspond solely to amounts held for run-off management because they exceed the "coal" exclusion thresholds decided by the institution - the exclusion thresholds differ between stakeholders, or whether these amounts correspond to all "coal" assets held without a threshold limit.

Meanwhile, the *Fédération bancaire française* (FBF)'s working group focused on a coal exit indicator calculated €2.3 billion for corporate lending (within the meaning of FINREP 18), out of a total amount of €1,277 billion, or 0.18% of the total.

2.2.2 An attempt to measure coal exposure: the «large exposure» approach

In addition, based on a study of exposures obtained from banks' "large exposures" data, the ACPR attempted to estimate this "coal" exposure using two different methods.

As a preliminary point, it is important to note that the use of large exposure reports has several limits, sometimes involving underestimation and sometimes overestimation of the amounts involved:

- **The banks' reporting threshold** for large exposures reporting sets a first limitation. As this threshold is above €300 million, it creates a bias towards underestimating exposure amounts;
- **Conversely, internal corporate transition policies are not taken into account.** For example, the transition of company A grows over time starting at 100% of its revenues from coal, but over time transitions to, say, a mix of 50% coal and 50% renewable energy, is not considered. As a result, the coal exposure is not risk-weighted and a bank's exposure to this company is therefore still labelled as financing "coal" at 100%. This bias therefore leads to an overestimation of the exposure amounts.

Under this "large exposure" approach, a first measurement technique retained, for seven banking[41] institutions, only exposures to the coal mining and coal-based electricity sectors. However, this sectoral approach does not allow for the capture of the exposures to financial holding companies of large groups that are leveraged on behalf of their subsidiaries and classified in the financial sector.

While the amounts thus identified as coal exposures in some groups appear consistent with the amounts reported, large differences are sometimes observed for other institutions, with a discrepancy ranging from 1 to 9 between the reported exposure and the ACPR estimate. These gaps are explained by methodological differences.

Another approach relies on measuring the exposure of major banks to all listed companies, for example by the NGO Urgewald, on the initiative of the Global Coal Exit List (GCEL); this list is broader than the list comprising only mining and energy companies, and shows some significant differences.

However, this method is again biased:

- A first limitation concerns the level of consolidation: the NGO Urgewald lists "individual" entities and not necessarily a group at the consolidated level, whereas the Large Exposures data used is based on the "Group of Related Clients", i.e. a consolidated level that also encompasses entities legally controlled by the head of the Group but with strong economic interdependence. Therefore, it only takes one of the subsidiaries in a group/conglomerate with potentially highly diversified activities listed in the GCEL list to classify all exposures to this group/conglomerate as "coal" exposures. This results in an overestimation of exposure amounts;
- Beyond this, the GCEL list, which relies on an "issuer" approach, does not allow for the consideration of specific projects of the undertaking which can be green with a focus on transition.

As a result of this analysis, some "coal" exposures are growing significantly compared to the results from the first approach: for some groups, exposures more than double the results of the first approach.

[41] As the AFD and Caisse des Dépôts are considered financial companies and not credit institutions under the applicable laws, these two institutions are not monitored under "large exposures".

However, despite these differences, these two approaches highlight two main findings:

- Coal exposure compared to total outstanding amounts remains low: by weighting the results obtained by the share of coal in the production of the firms to which the institutions are exposed[42], this figure is set between 0.14% and 0.42% of the total exposure of the banks studied, which is a close estimate to that of the FBF, located in the lower end of our range;

- As evidenced by the trend observed since 2015, the coal exposure of major banks compared to their total exposure amount has since 2015 shown a significant decline in one bank's exposure (36%) but a stable trend for the others, despite the implementation of restrictive policies. As a result, it seems that for some institutions, a total exit from coal remains to be accomplished.

2.2.3 Commitments almost exclusively on thermal coal

All banks consulted for this report currently restrict their coal policy to the direct use of thermal coal and hence to its extraction or to the production of coal-based heat or electricity. Such policies almost never include "metallurgical" coal, or steel.

The main stakeholders cite four main reasons for this: thermal coal is responsible for almost three-quarters of greenhouse gas emissions from the electricity sector and should therefore be given priority treatment; other coal uses do not always have an equivalent substitute in some countries; the abatement costs are a critical impediment compared to those of thermal coal; finally, the underlying methodologies them lack uniformity.

Most NGOs confirm the need to focus on thermal coal without overlooking the importance of emissions from the rest of the sector. They also insist, however, that the exclusion policies should now cover the entire value chain of this commodity, i.e. energy production, as well as the entire infrastructure for extracting, transporting, processing and producing coal.

2.2.4 The status of exclusion policies

Four banking institutions show almost total or even total coal exit:

- La Banque Postale, which since 2014 has excluded the entire coal sector from its financing policy;

- HSBC France also has a somewhat particular profile. Although the Group publishes qualitative selection and exclusion criteria - excluding any new thermal power plant and additional due diligence on a case-by-case basis depending on the customer's existing portfolio - the French subsidiary considers that, because of its historical portfolio, and with the exception of two companies, its exposure to coal-based energy production is now negligible and nil in the coal mining sector, without however, providing further detail on its exposure to the entire coal value chain;

- The *Caisse des Dépôts*, whose financing activity does not involve coal exposure, and whose "coal" holdings have been limited by the adoption of thresholds reducing from 20% to 10% the percentage of the revenue related to the extraction or production of electricity;

[42] Or, if the GCEL list did not provide data, by the "coal" share of turnover.

- The AFD, which, by virtue of its mission, is an atypical institution. The Agency also claims that it does not have any "coal" funding or investment in its inventory, stating that its Board of Directors adopted in 2013 a resolution banning the financing of coal-fired power plant projects.

2.2.4.1 Two broad thresholds categories

Beyond these institutions with very limited exposures, the restriction criteria reported by banks are generally based on two broad categories:

- Total exclusion: in most cases, for "new" projects such as mining research, new thermal power plants or capacity extension (Natixis, Crédit Agricole SA);

- The setting of relative thresholds (as a percentage of the firm's production and/or energy mix, or even of installed capacity in the case of thermal power plants, or turnover) and/or absolute (in millions of tonnes, most often in the case of mining companies, or installed power (in megawatts) in the case of units of electrical production).

2.2.4.2 Scalable exclusion policies

Exclusion policies have often tightened over time, as companies' "coal" policies have been revised. This tightening took several forms:

- For example, at Crédit Agricole, the exclusion threshold changed in 2015 from "50% of the revenue from extracting or generating electricity from coal" to 25% in 2019. The same change was made at BPCE. The Caisse des Dépôts decided in 2020 to decrease the 20% limit from electricity generation to 10%;

- Some institutions tightened their exclusion thresholds by multiplying the criteria: Crédit Mutuel AF went from one criterion in 2018-2019 ("excluding companies from which 50% or more of revenues came from coal mining") to four criteria since 2020: an annual production of coal ≥ 10 MT; installed capacity based on coal ≥ 5 GW; a share of coal in turnover ≥ 20% and a share of coal in the energy mix ≥ 20%;

- Others have changed their type of exclusion thresholds: as of 2019, Crédit Mutuel Arkea adopted a threshold of 30% of coal in an energy mix produced by an energy company as the exclusion threshold, after having chosen 30% of turnover in 2018.

2.2.4.3 Exclusion threshold with variable robustness

The implementation of exclusion policies by banks is based on an economic substrate and a reality of information access that are both complex and sometimes render the implementation of those thresholds difficult.

The quality of the data made available by funded firms is an obstacle to a rigorous monitoring of these policies. Data collected by banks on their clients may not always, according to their own reports, provide reliable information and there are many cases in which firms may approach or temporarily

exceed these thresholds, without this being known with certainty due to the lack of data available to institutions.

Similarly, the choice of criteria and monitoring indicators also depends on the available information. This allowed institutions to use criteria for which they had more readily available data.

As a result, such "exclusion" policies are not immediately comparable for several reasons.

On the one hand, the entire coal value chain does not fall systematically within the scope of institutions' exclusion policies. One bank will apply its policy only to thermal energy production, while another will integrate all the infrastructures related to this commodity. As a result, the exclusion thresholds may only apply to one aspect of the coal chain, in most cases electricity generation, while the other dimensions (transportation, infrastructure, etc.) are neglected.

On the other hand, the restrictions mentioned do not necessarily apply to all types of shares or services offered or carried out by a banking institution (e.g. financing, refinancing, equity investment, advice, trading, etc.). As a result, actors in the coal value chain can be provided with several services that are not mentioned in the Institution's exclusion policy, without this being considered a deviation from the policy.

Lastly, it is important to note that the exclusion thresholds are presented not only as limits but also often as opportunities for dialogue and assessment: nearing a threshold is regularly the subject of communication between the bank and the undertaking concerned, as banking institutions have repeatedly emphasised their preference for supporting emitting firms in their energy transition as opposed to excluding a client *a priori*. For example, an institution will have in place exclusion criteria excluding an undertaking with 25% of its turnover being coal-related and which has not communicated a transition plan incorporating an exit date, which allows for the institution to include in its funding policy those that declare that they have implemented such a strategy.

Beyond that, however, several remarks can be made about the robustness of the criteria and hence of the policies adopted by the institutions:

Firstly, the granularity of criteria might sometimes benefit from being refined. For example, a threshold that is said to apply to "production or turnover" without specifying what is included in this alternative, would benefit from greater details. Similarly, if an institution excludes the funding of "exclusively" coal-related projects, nothing seems to rule out the possibility of partially dedicated projects.

The choice of a limited number of criteria can also lead to significant "gaps" in the coverage of the coal chain. Thus, to use as a criterion only the installed power or a percentage of turnover, even if, as noted above, the difficulty to access information can lead to the adoption of such a threshold, does not make it possible to properly ensure the effective limitation of production.

Moreover, theoretically, the choice to use as the sole criterion a percentage of installed power may have counterintuitive effects. Depending on the size and effective production of the producing company, this may lead to a preference for financing larger emissions in small entities producing at full capacity, as opposed to others with a larger installed power but less productive during a given financial year.

In the mining sector, for example, in the past few years several mining companies have introduced extraction thresholds at around 50%, while, as a recent Financial Times[43] article points out, "none of the major mining groups even approach 50% in coal sales. For example, for Glencore, the world's

[43] Financial Times, 2 February 2020, article by Anjli Rdownstream, Owen Walker, Neil Hume and Stephen Morris.

largest producer of marine thermal coal, fossil fuel accounts for only 6% of its revenues." The relevance of an institution's threshold for exposures to the mining sector therefore warrants facing the reality of a group's production on a case-by-case basis. Transparent communication on the coal policy of the relevant funded entity is therefore a prerequisite for banks to establish a range of relevant indicators.

Finally, while the direct financing of "coal" companies or projects almost always falls within the scope of the aforementioned thresholds, such is not the case for financing that can be called "indirect": this may lead some banks to finance or refinance other financial institutions that are themselves directly exposed to coal.

2.3 Effectiveness of the exit policy

2.3.1 The issue of effort agreed upon

In addition to the stated objectives, the institutions' published "coal" commitments must be weighed against their exposure, in order to measure the actual effort made or agreed upon by the institutions over the period considered (from 2015, date of the Paris Accord, to 2019).

An ambitious exclusion policy pursued by a market participant whose "assets" (investments and/or funding) are *de facto* little or not "carbonated" at all cannot be assessed in the same way as a less exclusive approach, but that will lead to a more radical transformation of the institution's portfolio over the period.

For example, the AFD states that it has not granted any "coal" loan since 2013 and considers that it has stood by that exclusion since then, as a result, the Agency had no room for divestment or disengagement between 2015 and 2019. Similarly, La Banque Postale presents as one of its 2019 commitments "zero coal within the BFI," but has not held any "coal" assets/loans since at least 2014. These two institutions therefore place their commitment first and foremost on maintaining an exclusion announced as already effective, when other institutions, which remained exposed to coal as of 31 December 2019, are engaged in a divestment process.

2.3.2 Dates of coal exit

While all banks currently seem to be considering only an exit from thermal coal, the timing of this exit remains uncertain for nearly half of the banks examined for this report (see the table below).

Table 1: Bank Announcement of Coal Exit Date

Institution	Type of coal concerned	Exit Date: Europe/OECD	Exit Date: Rest of the world
AFD	Thermal	No announced date	No announced date
Paribas BNP	Thermal	2030	2040
Natixis BPCE	Thermal	2030[44]	2040
CA SA	Thermal	2030	2040
SG	Thermal	2030	2040
CDC	Thermal	No announced date	No announced date
CM AF	Not specified	2030	2030
CM Arkea	Not specified	No announced date	No announced date

[44] Only Europe for 2030.

HSBC France[45]	Thermal	No announced date	No announced date
LBP	No coal exposure	Not applicable	Not applicable

Source: ACPR - Public commitments of banking groups

2.3.3 The state of withdrawal compared with exclusion policies

The successive implementation of exclusion thresholds between 2015 and 2019 theoretically led institutions to hold assets - funding, investment - which, due to the adoption of a more restrictive policy, were *de facto* in contradiction with the policy in place. These assets could therefore be sold or kept under run-off management. When asked about the amounts in these two categories, which, indirectly as mentioned earlier, could also provide important insight into the financial effort made or to be made by various stakeholders, in most cases banks did not provide answers.

In addition, the amounts retained under run-off management, when disclosed, appeared to cover too many different asset classes to support any conclusions.

3. Insurers' “coal“ policies

3.1 Existence of a coal policy

All 17 insurers[46] surveyed now have a "coal" policy in place. In most cases this is the subject of one or more specific[47] commitments.

In total, the insurers’ public commitments on coal account for nearly one in five of the identified commitments (19.7% of the total).

As with banks, the number of commitments shown does not necessarily reflect a more restrictive or ambitious coal policy. For example, Axa explains within several commitments the successive updates of its coal policy, the announcement of total coal exit in 2030 for Europe and the OECD countries and in 2040 for the rest of the world, which is also subject to an additional commitment, while other insurers have chosen to integrate these dimensions into their "coal" policy without however counting them as several commitments. SCOR develops its investment policy over two commitments and its exclusion-based insurance and reinsurance policy within two other commitments. The CNP also counts as separate commitments the various aspects of its exclusion policy and its successive revisions, while other bodies have chosen to pool their "coal" policy into one commitment.

The timing of a coal policy varies depending on the group considered: some players, such as Société Générale Assurances, made this choice in 2014. Axa, CNP or SCOR adopted specific measures in 2015, others in 2016 (Crédit Agricole Assurances, Natixis Assurances, MACIF), some later - such as Allianz France, BNP Paribas Cardif, Groupama in 2018, Covea, Aviva or MACSF in 2019.

Commitments are approved at a high level, usually by the Board of Directors, and, if not, by senior management.

[45] This is the Group Policy.
[46] Assurances Crédit Mutuel, AG2R, Allianz France, Aviva, Axa, BNP Paribas Cardif, Crédit Agricole Assurances, Caisse centrale de réassurance, Covea, CNP Assurances, Generali, Groupama, Macif, MACSF, Natixis Assurances, SCOR.
[47] See Table 3.

3.2 Scope and ambition of this policy

3.2.1 The reality of the effort made: measuring the «coal» exposure

The measurement of exposure remains a key issue. It makes it possible to measure the reality of potential disinvestment over the medium to long term. In other words, this exposure assessment gives both a measure of the funding of the "coal" activity and, as already emphasised for banks, of the actual effort made by insurers.

In 2019, the *Fédération française de l'assurance* (FFA, the French Insurance Federation) attempted a first analysis. Its purpose is "to assess the exposure of the financial asset portfolios of French insurers to firms considered to be coal developers (companies that have announced or planned new mining, power plants or infrastructure projects in the thermal coal sector) listed by the Global Coal Exit List 2019 developed by the NGO Urgewald", excluding: other exposures. Based on the ISIN codes and LEI codes listed in this database, the FFA estimates that "the exposure of direct investments by French insurers to coal developers (...) is €3.2 billion (or 0.1% of total investments), more than 96% of which in corporate bonds".[48]

However, this approach does not seem to have been taken up by all groups, only a few of which have started this assessment process, as market participants regularly cite, like credit institutions, the lack of a common method for clearly measuring the stock of "coal" assets. The FFA conducted an exposure measure of institutions the results of which will be published by the end of 2020 as part of the Observatory on Sustainable Finance.

Data collected on coal assets held in run-off mode provide, empirically and despite being heterogeneous, another set of indicators that seem to confirm the very low "coal"[49] exposure of French insurers: according to the data provided, this is in the range of 0.05% to 1% of total exposures.

However, these figures only provide an approximate trend, as the data remain heterogeneous, incomplete and not readily comparable.

First, they sometimes mix the amounts already disposed of, which attest to the withdrawal made, and the amounts of assets retained, which may, conversely, be an indicator of the withdrawal that has yet to be accomplished/made. Moreover, the amounts provided for the "run-off" management of coal assets generally do not clearly distinguish between assets that exceed the exclusion thresholds of the bank and those that are still in the portfolio because they fall below the thresholds. Lastly, the necessary clarifications on the methodology used in the calculations are still insufficient in the context of the replies provided to the survey.

3.2.2 An alternative quantification of "coal" exposures via the ACPR's "securities base" approach

In the course of this report, the ACPR has taken a different approach, drawing on data from the GCEL list (for all criteria) and the leading insurers' securities databases. This approach distinguishes between before and after transparency[50]. Moreover, as for banks, the results obtained were weighted by the share of coal in the production of the firms to which the institutions are exposed.

[48] Recommendations on the definition of a coal strategy, FFA, 2019, p. 3.
[49] Here limited to thermal plants and industries related to direct coal mining (mines, coal transport).
[50] Transparency allows access to the details of the CIUs.

An initial analysis looked at the top 16 insurers listed as individual entities, not at the group level, before or after disclosure, and exposure in 2019 generally remains low. While it is true that an insurer stands out from the rest, with exposure before and after transparency at around 0.52% of its total "coal" assets, meaning nearly three times the average for the sample as a whole. However, out of the 16 retained undertakings, 7 had exposures below 0.14% of their total assets before transparency, 15 with exposures below 0.28%. After transparency, the proportions do not vary much, with 6 institutions having an exposure below 0.14% and 14 with an exposure below 0.28%.

All in all, with an average of 0.15% before and 0.18% after transparency in 2019, and an average of 0.14% for all insurers (0.13% before and 0.13% after transparency) for all 16 undertakings with a balance sheet that is already largely free of "coal" assets.

A second approach involved aggregating the data of the various subsidiaries in order to obtain a "group" approach, despite the imperfections and the potential for double counting implied by this methodology. In this case, while the difference in exposure between before and after transparency is noticeable for some institutions - for which the value sometimes doubles or even triples - the differences between the results of the "group" analysis and those of the "entity" analysis are usually non-significant.

All in all, regardless of the method, the exposure to "coal" of French insurers seems low and the resulting estimates seem, as for banks, to be quite different from the one posted by the FBF, also located in the lower end of our ranges. Nevertheless, the imperfections in the different measures show that groups need to make progress in estimating their coal exposure and in communicating more about the method used for this calculation.

In the end, the ACPR's "securities-based" approaches, taken at individual or aggregate level, have shown a steady withdrawal since 2015.

3.2.3 Commitments almost exclusively relating to thermal coal

As with the banks, all the insurers consulted for this report have only defined, to date, a coal policy relating to the direct use of thermal coal and therefore its extraction or the production of coal-based heat or electricity. Therefore, "metallurgical" coal, steel, or coal used as fuel for any other emitting activity (paper, glass, etc.) are not included in these policies.

The reasons are the same as those cited above for banks.[51]

3.2.4 The criteria for the exclusion policy

In its "Recommendations on the definition of a coal strategy", the FFA proposes a set of exclusion thresholds[52].

These recommendations are largely incorporated in the French insurers' coal policies, whose public commitments are based on both relative thresholds (as a percentage of the company's production and/or energy mix, and even of the installed capacity in the case of thermal power plants, and turnover) and/or absolute thresholds (in millions of tonnes, most often in the case of mining companies), in megawatts (MW), for thermal power plants.

[51] See Section "Banks" above, Section 2.3.
[52] Recommendations on the definition of a coal strategy, *op. cit.*, pp. 6-7.

While on 31 December 2019 some insurers were limited to one criterion - more often than not a 30% threshold for either energy mix or turnover, as at Crédit Mutuel, Allianz, MACSF or Macif[53] - others had, over time, tightened their "coal" policy either by raising thresholds or by adding additional criteria: for example, in 2019 Generali adopted three criteria; the AG2R moved from one criterion in 2018 to four in 2019; and Crédit Agricole Assurances, after steadily reducing its turnover threshold (50% in 2016, 30% in 2017, 25% in 2018) adopted a second criterion (100 Mt) in 2018, before adding a third criterion in 2019 (50% of the energy mix). Crédit Mutuel also went from a single 30% of turnover threshold until 2019 to four criteria in 2020.

This exclusion may be total, most of the time when it comes to new investments for companies developing new capacities or increasing their production, in accordance with another recommendation from the *Fédération française de l'assurance*[54].

For some insurers, these criteria may also vary depending on whether the insurer is invested or underwritten: Axa lists 4 criteria for an investment in the field of electricity[55] production but only three criteria for an underwriting[56].

These thresholds are, however, regularly subject to reservation.

For many insurers, a company setting up a public, dated coal exit plan, compatible with its own horizon or making clear commitments to reduce the share of the coal-based energy mix to a certain horizon, is not excluded *a priori*, even if it exceeds the stated threshold criteria. Dialogue with coal-issuing companies is therefore still a common attitude among insurers, most of whom, like banks, view their role as a companion to the energy transition more than a censor. However, insurers claim that these cases represent only a few exceptions to the rule every year.

3.3 Effectiveness of the disengagement policy

3.3.1 Date of coal exit

As with banks, all insurers seem to be considering only the release of coal from heat. 64% have posted an exit date and 82% (14 out of 17) have already adopted or are considering to adopt a date, following the FFA's recommendation. [57]

[53] In 2019, the CCR also listed only one criterion, 10% of the revenue from coal production or exploration.
[54] See Recommendations on the definition of a coal strategy, FFA, 2019, p. 6.
[55] Less than 300 MW of new coal capacity, less than 30% of the energy mix dedicated to coal, less than 10 GW of installed power, 0% of coal in 2030 or 2040 depending on the geographical area.
[56] Less than 300 MW of new coal capacity (2021), less than 30% of the energy mix dedicated to coal (2022), 0% of coal in 2030 or 2040 depending on geographical area.
[57] "It is recommended that the coal strategy provide for a regular lowering of the exclusion thresholds to reach zero exposure of the investment portfolios for thermal coal by 2030 at the latest in the European Union and OECD countries and by 2040 in the rest of the world. ", *op. cit.*, p.6.

Table 2: Announcement by insurance undertakings of their date of exit from coal and type of coal concerned

Body	Type of coal concerned	Exit Date: Europe/OECD	Exit Date: Rest of the world
Crédit Mutuel Assurance	Thermal	2030	2030
AG2R La Mondiale	Thermal	2030	2030
Allianz France	Thermal	2040	2040
Axa	Thermal	2030	2040
BNPP Cardif	Thermal	2030	2040
CA Insurance	Thermal	2030	N/A (residual)
CCR	No precision	Projected Release Date	Projected Release Date
NPC Insurance	Thermal	2030	2040
Covea	Thermal	No horizon specified	No horizon specified
Generali	Not specified	Projected Release Date	Projected Release Date
Groupama	Not specified	No horizon specified	No horizon specified
MACIF	Thermal	2030	2030
MACSF	Thermal	2021	2021
Natixis Insurance	Not specified	No horizon specified	No horizon specified
SCOR	Thermal	2030	2040
SG Insurance	Thermal	2030	2040
AVIVA	Thermal	Considering 2030	Considering 2030

Source: ACPR questionnaire

3.3.2 Status of disengagement under exclusion policies

The amounts of assets sold since 2015 and those held under run-off management are two possible indicators of the reality of the disengagement.

Eleven out of the seventeen insurers surveyed, *i.e.* slightly less than two-thirds, provided indications of the amount of assets sold and their proportion to total investments. According to undertakings, the total amount announced is between 0.0% and 0.29% of their total investments. In addition, ten insurers provided amounts and/or percentages of assets held under run-off management: these assets account for between 0.05% and 1% of total investments by these undertakings.

Despite the reservations already mentioned above (see "effort and coal exposure" above) about the homogeneity of data collected and what it really covers, this shows that the insurance sector's residual exposure to "coal" is now very low.

Theoretically, coal exposure is expected to decline further in the coming years in view of the more restrictive policies adopted by many insurers in 2019 or 2020.

4. Asset management companies “coal” French policies

4.1 Coal policy

An initial analysis was carried out to assess the use of coal policies in the French management industry as a whole before analysing the public commitments of the largest French managers. On the basis of replies to a questionnaire from 506 asset management companies ("**AMC**") representing 96% of the collective assets under management, 31% of AMCs managing 48% of total assets under management in France stated that they had adopted a thermal coal exit strategy, be it public or not. Where these strategies are not publicly available, they are not analysed in the course of this work but enable us to measure the momentum of the Paris marketplace, which will need to be later confirmed.

Most respondents indicated that they want to implement a thermal coal policy, which would bring the share of managed stocks covered by a policy to 93% of the exposures managed by respondents to the same questionnaire.

More in-depth reviews were conducted on €260 billion of assets managed by AMCs stating in their reply to the questionnaire that they did not wish to have a thermal coal policy, and in particular on a sample of the 10 main AMCs involved (56% of the outstanding assets managed by entities who do not want to have such a policy). Of these 10 players:

- 4 are real estate asset managers. The exposure of real estate fund managers is illustrated *below*, as well as that of private equity managers;

- 6 are "general" asset managers, three of whom are specialised in arbitrage strategies with substantial recourse to derivatives. The lack of a policy is not mentioned in the public information of AMCs, for example in "Article 173 reports".

As regards the 20 main French asset management companies in terms of assets under management[58], 16 AMCs had a public thermal coal exit policy in place as at 31 July 2020. Only one participant has indicated that it does not wish to have such a policy in the future because of its activity. Of the 20 main GSPs, only three have so far committed to a definitive date for the exit of thermal coal (the exit may be limited to some of their activities, *see below*). Several managers have regularly tightened their policies over the years or plan to tighten them in the future.

This dynamic in French asset management is not sufficient to assess the level of ambition of these policies. The thresholds applied, the exemptions provided and the coverage of the AMC activities concerned are thus all relevant analytical elements for understanding the scope of the commitments.

[58] Amundi Asset Management, Aviva Investors France, Axa Investment Managers Paris, Axa Reim SGP, BNP Paribas Asset Management France, Covea Finance, CPR Asset Management, Credit Mutuel Asset Management, Eurotitrisation, Federal Finance Gestion,Groupama Asset Management, HSBC Global Asset Management, La Banque Postale Asset Management, Lyxor Asset Management S.A.S, Lyxor International Asset Management, Natixis Investment Managers International, OFI Asset Management, Ostrum Asset Management (Politique Natixis), Ostrum Asset Management (Politique Ostrum), Sociéte Générale Gestion, Swiss Life Asset Managers France.

4.2 Ambition of thermal coal policies

In practice, the policies adopted by asset management companies may rely on (i) the application of quantitative thresholds based on extra-financial data from issuers applied on a systematic basis and/or (ii) an assessment of the issuer's intention or commitments to terminate its activities related to the thermal coal value chain.

First, as regards the quantitative thresholds applied, as noted in the introductory summary and in the case of the banking and insurance sectors, they may concern different absolute or relative criteria and apply to different types of companies involved in the value chain of electricity generation from coal.

In addition to quantitative criteria, other indicators can be developed by AMCs and are illustrated *below*. In one case of a group-wide policy, they concern other uses of coal, such as steel.

AMCs also consider the intention of firms to reduce activity related to thermal coal and, if applicable, their exit plans. Different elements can then be taken into account. For example, it may be the exclusion of entities that have submitted or declared infrastructure development projects, power generation capacity or mineral exploration projects. On the contrary, other approaches are to retain only those companies with exit plans or intending to exit from thermal coal.

This points to a high degree of heterogeneity in the ambition and the criteria for implementing exclusion-based policies, which are illustrated in the following table. This table focuses only on **quantitative criteria** applied in the different policies analysed.

Table 3: Criteria and thresholds in asset managers' coal policies

Type of actor	Identified criteria	Number*	Min threshold	Max threshold
All	Coal weight in turnover (%) - all types of coal combined	2	30%	50%
	Weight of **thermal** coal in turnover (%)	15	10%	50%**
	Company developing coal-related projects (energy production, mining projects, infrastructure projects). Thresholds given for electricians as examples.	6	300MW	3,000 MW

Mining companies	Production of thermal coal (million tonnes extracted)	8	10	100
Electricity Producers	Power generation capacity from coal (GW)	3	5	10
	Share of electricity from coal (% of installed capacity or production)	9	20%	30%
	Carbon intensity (gCo_2/KWh, threshold 2019)	1	491***	

**Number of asset management companies among the 16 public policies analysed using this criterion in their coal policy; of these 16 AMCs, one asset manager does not define quantitative criteria in its policy.*
*** This 50% threshold has conditions: excluded are all electricity and coal companies with a threshold of between 25% and 50%, which do not intend to reduce the percentage of revenues from these activities and which earn less than 25% of their revenues from coal mining.*
**** This threshold will evolve over time according to the International Energy Agency (IEA) Sustainable Development Scenario.*
Source: AMF, based on the sampled asset managers' public policies

Most policies thus rely on a combination of relative criteria, but few take into account absolute criteria, especially for energy producers (coal-fired electricity capacity). Depending on the institutions, and as mentioned, these criteria are complemented by an analysis of the intention to exit thermal coal or the development of new capacity by the issuer considered. The details of the policies as published are presented in **Annex 2**.

In order to assess the implementation of thermal coal exit policies by the owners, various analyses were carried out:

- An assessment of divestment and exposure of French funds as at 31 December 2019. The purpose of this analysis is to assess the aggregate exposure of the Paris financial marketplace and to monitor its evolution and composition over time;

- Analyses by companies:
    - A qualitative comparison of the policies and their operational implementation among the managers of the sample used;
    - A line-by-line **study of some of the largest managers**' **exposures in order to verify implementation of policies** and to understand the underlying reasons for the presence of thermal coal issuers in a portfolio (according to the thresholds set by the *Global Coal Exit List*).

4.3 Global assessment of French funds' exposures and divestments

Few managers measure their total exposure (regardless of the threshold used) to the thermal coal value chain. However, and as illustrated below, if AMCs gradually tighten their coal policies as some have in the past, more and more issuers could be captured by AMCs' exclusion or engagement lists without anticipating this. This is the case, for example, for large French or Spanish energy producers, who have a small share of their activity related to thermal coal, but are largely owned by French collective investments. The figures presented below refer to French funds of all French asset management companies, regardless of whether they have a thermal coal policy in place.

4.3.1 Aggregate assessment of exposures of French funds

From a methodological point of view, precise calculation of an overall exposure of French funds is a difficult exercise. An initial partial estimate led to an exposure estimated at €5 billion for all French funds at end-2019 (out of a total of €1.6 trillion of assets under management[59]). This estimate is based on issuers exceeding at least one of the GCEL thresholds[60]. Unlike banks and insurance companies, the results obtained were not weighted by the share of coal in the production of the companies to which the institutions are exposed. It should also be noted that, irrespective of a tightening of coal policies, this exposure could increase over time, for example if French funds' outstanding assets exposed to emerging countries more dependent on thermal coal (*see below*).
This exposure is highly variable between managers and it is not possible to establish a link between the existence of a management company's thermal coal policy and its exposure to issuers involved in the thermal coal value chain for two main reasons:

- The intrinsic variability of policies among managers that has been illustrated above with regard to quantitative thresholds and also *below* with regard to implementation;

- The investment universe in which these funds operate and, more broadly, the management companies. As such, the exposure of the manager to issuers more heavily involved in the thermal coal value chain depends on the funds' strategy and, for example, the geographical areas in which they invest (emerging markets, USA...), with some regions more structurally dependent on thermal coal in their energy mix.

The estimated exposure of the funds analysed for the 20 largest AMCs in the sample is around €3 billion, or 0.3% of total assets under management. For example, the exposure can be reconciled in terms of size with the €1.2 billion of divestments reported by 13 of France's 20 main AMCs in 2019[61] (divestment figures may include foreign funds or mandates that are not covered by the total exposure figure).

[59] Source: Banque de France, Financial Overview of CIUs, 4th quarter 2019.
[60] It should be noted that this study only covers securities with an ISIN held by collective investment units under French law. In particular, it does not cover: (i) securities that do not have an ISIN (*e.g.* receivables or loans), (ii) assets that are not securities (*e.g.* exposure via financial futures to these players or indices including these players); or (iii) assets held through mandates (around €1,650 billion at end-2019 according to data from the French Asset Management Association (AFG)) and/or foreign funds managed directly or by a delegation managed by French asset managers (approximately €5550 million at end-20119) (source: AFG, 2019 Overview of the asset management market for third parties).
[61] Of the 20 asset managers to which the questionnaire was sent, 4 indicated that they lacked policies as of 31 December 2019. Of the remaining 16 companies, 3 did not have to divest under their coal policy. These include either real estate asset managers, institutions that have implemented "extinctive" management of securities held, or entities that were not exposed to issuers to which their coal policy applied, possible consequences of historical investment restrictions or management strategies that did not result in exposure to issuers involved in the coal sector.

4.3.2 Analysis by issuer

An analysis of the main issuers in the Urgewald database, to which French funds are exposed, shows a very high concentration of around ten issuers. For example, more than **82%** of exposures are concentrated in around ten groups, mainly European groups (71% of outstanding exposures). In particular, the Italian energy group Enel SpA concentrates 46% of the exposures of French funds, the German energy company RWE AG 8%, and the Australian mining group BHP Billiton 7%. In addition, there may be a high degree of heterogeneity between the degree of exposure to thermal coal of the participants: some issuers in the portfolios may have low exposure to the sector, or even have expressed an intention to disengage from the thermal coal value chain without these parameters being taken into account in the criteria adopted by the GCEL, as stressed above; others may instead continue to develop such activities.

Analysing exposure according to the GCEL exposure criteria, 50% of the exposure of French funds is to companies that are above the absolute thresholds set by GCEL, in particular the electricity generation threshold. **This observation is consistent with the overall lack of absolute thresholds in asset managers' policies**. It should be noted, and as stated above, that exceeding these thresholds does not rule out the existence of exit plans from the thermal coal for the issuers concerned.

Besides, 19% of the exposure relates to companies considered to be *developing* activities related to the thermal coal value chain according to GCEL data[62]. It should be noted that, in some cases, the operational implementation of their policies by asset managers may lead to situations where an issuer is retained as it is considered that the issuer intends to exit thermal coal while the GCEL data indicate that it is developing new capacity.

4.4 Analysis by investment strategy

Regarding asset managers' exposures according to the types of investment strategy implemented, several observations can be made:

- Some companies are inherently little exposed because of their management type but communicate about an exit from thermal coal: a majority of the 170 private equity managers and 55 real estate managers who have completed the questionnaire say they have a thermal coal exit strategy or wish to define one, although only 3 private equity managers and one real estate manager have exposures to the sector[63];

- Other types of market participant are structurally exposed without any future exit plans. This is notably the case for "classic" index management and index derivatives. For example, **37%** of groups identified by the GCEL (in numbers) belong to at least one of the world's leading indices[64]. Thus, in order to meet their replication objective, index management is almost never covered by management company policies. On this point, the French Asset Management Association

[62] According to this list, these are mining projects with more than 1 million tonnes of extraction, plant development projects with more than 3 GW and infrastructure development projects related to the coal thermal value chain (see annex 1).

[63] These are mainly funds that hold shares and/or bonds without being the focus of these managers' business (direct real estate and private equity). As a result, given the typology of the main issuers involved in the thermal coal value chain, this type of managers is expected to have low exposure to the sector.

[64] The indices considered are: (i) the 45 global equity indices deemed significant within the meaning of CRR; (ii) 3 broad bond indices; (iii) 3 additional frequently used indices or identifying specific geographical areas (source: AMF).

(*Association française de la gestion financière*, AFG) recommends focusing on the use of non-coal indices where there is an equivalent offer and engaging with the providers of indices to encourage the development of such an offer. However, at this stage, index management on indices excluding thermal coal and the use of derivatives on these types of underlyings are still underdeveloped; it should be noted that methodologies used by index providers to identify and exclude coal-related issuers may also vary significantly.

Finally, the preliminary analyses show that situations between collective investments may vary considerably. In this respect, the materiality of the exclusions made by the managers under their thermal coal exit strategy and the level of effort to be accomplished depend largely on **the investment universe of their funds**. For example, and all else being equal, it is less binding for a manager specialised in French equities to implement an ambitious thermal coal exit strategy than it is for an equity manager specialised in Asian securities.

4.5 Implementation of thermal coal policies by major asset management companies

As set out in the introduction and in the guides published by AFG and FFA, the thermal coal value chain involves many players and the policies used focus on specific quantitative indicators such that the operational implementation of a global thermal coal exclusion policy is a complex exercise. The following section sets out in detail the analyses carried out on the implementation of the thermal coal policies (presented in the Annex 2) of the sampled asset management companies.

4.5.1 Management implementation of thermal coal policies

Based on these different policies and on the recommendations issued by industry associations on the transparency of policies, the AMF has reviewed, in addition to the systematic quantitative criteria published in the policies, the participants' descriptions of the conditions of implementation of policies. Seven criteria for analysis were used[65]. The comparison of the information provided in the companies' policies according to this grid is shown in the **Annex 3**.

This work shows that, in addition to significant differences between the "ambition levels" of coal policies, there is also great heterogeneity in the way policies are implemented, including the various exemptions provided for in them. These arrangements are also described differently in the policies published by the managers.

To understand the different approaches used, the AMF asked the managers to explain the reason behind the presence of names identified by GCEL in their portfolios based on a sample. This sample comprises 1,114 lines held by **526** French funds and issued by **36** different groups. These lines represent **€2.6 billion** in exposures, i.**e**. **92%** of the exposure of the 18 AMCs involved, and **49% of the total exposure of French funds (assessed above at just under €5 billion):**

[65] Around 7 questions: "*Treatment of new investments on players above thresholds?; Treatment of stock of amounts outstanding on players above thresholds?; Application of the policy to steel coal? Treatment of issuers with coal release plans deemed credible or intending to reduce exposure?; Apply to a portion of managed stocks? Applies to a portion of the assets held? Treatment of subsidiaries, shareholders or sisters of excluded companies*?

- For 59% of the €2.6 billion of assets examined (approximately €1.5 billion), the presence in the portfolio is due to the fact that the thresholds used by the asset manager are above the GCEL thresholds. Setting aside the key data provider discrepancies discussed *below*, **a very significant proportion of thermal exposures in managers' portfolios is the direct result of the level of requirement imposed by the exclusion thresholds set out in their policies** – where such policies provide for them;

- For 16% of these assets (or approximately €400 million), **the continuing presence of the companies in the asset manager's portfolio is due to the recognition of the company's** intention **to disengage or exit from the thermal coal sector**. As detailed *below,* there are significant differences in practices among managers about what is considered a credible intention or commitment for the manager. It should be noted that when coal policies are tightened by the asset managers, the weight of this category could increase if it is considered at the same time that these issuers have a credible intent or plan to exit coal. For example, the Enel SpA energy company's greenhouse gas emission reduction targets have been approved by the *Science Based Targets* initiative. As a consequence, and as mentioned above, a forward-looking assessment of the managers' exposure to issuers below their exclusion thresholds allows to anticipate those considerations regarding the engagement to be undertaken with these issuers;

- For the remaining 25% of the assets considered (amounted to approximately €600 million), various explanations were received:
    - In more than half of the cases, these are exemptions from the policy due to the type of funds concerned (*e.g.* index management) or clients (*e.g.* dedicated funds). These exposures are structural and participants do not have any commitments to ensure that these exposures will decline over time;
    - In a number of other cases, this concerns discrepancies between the asset manager's and GCEL's data, which lead to different estimations of the same criterion defined for the company in question, which therefore allows the asset manager to keep the security in its portfolios under its coal policy;
    - It should also be noted that, for one asset manager, for an outstanding amount of €23 million, the exposures were not sold when they should have. This non-compliance with the policy was explained by a delay between the publication of policy and the deployment of supervisory and monitoring tools within the asset manager. Accordingly, for a period of up to 10 months, it was possible for the manager not to sell or even increase positions, which contradicted the published policy.

4.5.2 Data used for policy implementation

The above presentation of the policies illustrates that, - aside from one manager who chose to have a policy based on an individual assessment of the companies, and in particular the existence of commitments from those commitments to exit thermal coal from the issuers -, asset managers usually set quantitative thresholds above which the exposure must be sold or put under run-off management. **The implementation of policies therefore depends on the quality of data available** on issuers to assess the criteria chosen**.**

However, market participants indicated that there could be significant differences in the estimation of the different criteria by data providers, or with data reported by issuers (where such data exist), which could cause a given issuer to go above or below the exclusion thresholds. It was also pointed out that data may vary significantly from year to year for the same company.

An illustrative first example concerns the Japanese group Sumitomo Corporation, for which an asset manager had not identified revenues from thermal coal extraction or from the effective production of electricity from thermal coal. However, the 2019 annual report for the company states that the group is committed to reducing its share of electricity from coal from 50% to 30%, far beyond the threshold set by the manager. This example raise the question of the data used by the manager in applying its policy and of the controls performed by the management company on the quality of the data transmitted by its data provider.

A second illustrative example is provided by a manager using multiple data sources and shows difficulties in assessing the criteria used.

Table 4: Data comparison by issuer by source

Issuer name	Weight of thermal coal in turnover according to different dates and sources				
	GCEL Threshold	Data chosen by the AMC based on annual reports 2018	Data vendor 1	Data vendor 2	Data estimated by the AMC based on the latest available data
AES Corporation	>30%	21%	24%	43%	N/A
AES Corp	>30%	21% (Group)	24%	43%	N/A
Duke Power Co LLC	>30%	25% (Group)	27%	22%	N/A
Origin Energy Ltd	>50%	10% (Group)	26%	55%	10%
Origin Energy Limited	>50%	10%	26%	55%	10%
RWE AG	>30%	29%	7%	37%	35%
Alabama Power Co.	>30%	21%	21%	23%	N/A

Source: AMF from information provided by an asset management company

These examples illustrate the existence of highly significant differences between different providers and according to the dates considered. Depending on the source chosen, they may lead the asset manager to exclude or not a security based on the criteria set out in its policy. **These examples also illustrate the need for clear and transparent processes to avoid cherry picking the most favorable data source** allowing to place a company below the defined thresholds in an opportunistic manner**.**

Practices for controlling the quality of data used are also very diverse. While some managers perform checks against data published by the issuer for their largest exposures, others mechanically rely on a single data source without any particular verification. For example, in one case, the manager relies exclusively on a list of exclusions communicated by his parent without explanatory data and without control, so that the manager is unable to explain how his own exclusion thresholds apply. Conversely, these data disparities are also problematic when several entities in the same group apply a similar policy but rely on different databases, which could give rise to different implementations or even conflicts of implementation. This is the case for a group where the insurer and the asset manager use different data sources.

4.5.3 Consideration of the intention or commitment of companies to exit thermal coal

The recognition that the issuer has plans to exit coal or intends to do so is regularly presented as an important criterion in order not to exclude players with credible plans to transition and who need funding to carry out their business model change without transferring production capacity to third parties.

Assessing the issuer's intent or the credibility of the action plans implemented to dispose of thermal coal is a complex exercise, potentially subjective depending on the level of requirement and the timelines expected by each manager. There is thus significant heterogeneity in the policies regarding the recognition of the "intention" or the existence of "credible" issuer exit plans.
These differences in the criteria used to consider a commitment sufficient may create cherry picking risk for choosing criteria to retain an issuer in the portfolio. In this respect, for example, although descriptions in policies are broadly comparable, management companies have reached conflicting conclusions on the credibility of the exit plans of a given company:

- Some managers consider, based on analyses, especially by NGOs, that the company is currently not aligned with a path compatible with the Paris Accord and have excluded it from their portfolios;

- Other managers consider it difficult to decide on the seriousness of the plans announced and put the company under watch;

- Other managers consider the announced exit plans to be satisfactory as the group diversifies its activities and has committed to reducing its greenhouse gas emissions.

On the contrary, other policies have a higher level of detail on the assessment criteria used, such as referring to an independent framework for the assessment such as *Science Based Target well below 2°C*. Some policies also take into account the social or supply chain impacts of the exit plans adopted by the companies.

Beyond this description, several discrepancies have been identified between the managers' communications and the implementation of their policy on this particular point. Some asset managers using a generic term to describe the recognition of the efforts of issuers do not in practice rule out companies with plans to expand the capacity of electricity from coal. For example, an asset manager considered that an issuer had a credible exit plan for thermal coal while the company was developing new capacity to generate electricity from coal. In addition, some managers who report on the possibility of retaining issuers with *credible commitments* as a derogation, also provide for the possibility of retaining issuers that have *no* commitments (e.g. no exit plan provided...) but for which the manager considers that it is likely to that its dialogue actions lead to the formalisation of commitments.

These changes in policies and their implementation are also reflected in the internal approval levels and processes for exemptions. While some managers submit validation to the executive committee or investment committee, for others, the analysts are directly responsible for the analysis, under the hierarchical control of the head of ESG.

Finally, although some managers consider the energy transition to be a major theme in their engagement policy, not all managers have a clear process to determine which dialogue and voting actions should be carried out with those most involved in the value chain of electricity generation from coal, whether below or above their exposure thresholds.

4.6 Policy exemptions and transparency

4.6.1 4.6.1 Exemptions related to steel coal

On the basis of the policies observed, only one player provides for a common exclusion threshold for thermal and steel coal extractors and only one other player describes in an educational manner the issue of steel coal and the reasons why it should not apply its policy to such uses. However, these uses, and especially the steel sector, are an important challenge in the fight against climate change and it is necessary that market participants' coal policies clearly state their scope.

Apart from these two institutions, the policies do not explicitly mention that they are limited to the value chain of electricity generation from coal and that they do not concern other uses of coal which are important sources of greenhouse gases. As such, there are very heterogeneous uses of the term "coal": some use the term "thermal" without specifying the term, while others use the term "coal" by default, which might suggest that these policies apply to all uses of coal (notably in relation to exclusion criteria that are not specific to electricity companies). From this point of view, these institutions use the same terms as the management company mentioned which actually applies thresholds for all uses of coal (not just thermal coal).

4.6.2 Exemptions for certain customers or strategies

Although a highly significant proportion of managers provide details of the application of their policy to the different types of management (passive, fund of external funds, closed funds) or clients (dedicated funds, mandates, etc.), the presentation can be more or less easy for a non-professional client to understand.

- a indication "by default" of the relevant scope (*e.g.* application to open active funds);
- an explicit indication of the scope that is not covered by the policy (*e.g.* the policy will not apply to index management, closed funds, dedicated funds and mandates, etc.).

A manager, by contrast, *ex post* indicates the percentage of outstanding exposures that their exclusion policies cover, thereby providing greater transparency to investors and stakeholders.

This information may be of importance since, depending on the situation, restrictions may apply to a very significant proportion of the assets under management. For example, in a case where index management accounts for a portion of its outstanding amounts, a manager did not include in his thermal coal policy the mention - already small - included in a press release setting out the policy and stating that it does not apply to such type of outstanding.

4.6.3 Exemptions for certain types of assets

Few policies currently explain the treatment of the different assets held by collective investments. For example, policies tacitly consider that their criteria apply to firms only, and none apply these considerations to governments and their public policies on the use of coal for electricity generation.

Similarly, the treatment of futures is mentioned only in one thermal coal policy. In practice, all managers prohibit themselves from investing in *single name* derivatives on an excluded issuer, but allow themselves to invest in index derivatives, total return swaps ("TRS") or baskets exposed to such excluded players.

With regard to TRS in particular, one participant communicated on the divestment of several million euros in outstanding amounts. In the course of its discussions with the AMF, this market participant indicated that more than 80% of the divestments reported consisted in securities held by index funds with TRS (so-called "synthetic" replication funds). In this scheme, the fund enters into a derivative contract or *total return swap* that exchanges the performance of assets held by the fund by a defined exposure with a counterparty (in this case: an index) and the securities held by the funds are hedged by the counterparty. Therefore, taking into account the whole scheme (funds and counterparty), there is no investment (*i.e.* no net buying flows on the securities in question) in the companies to which the funds are exposed: one party (the fund) bought the security, another (the counterparty) short or offset it with its internal interests. On the contrary, due to the counterparty's coverage, such funds may continue to fund indirectly issuers that would have been excluded under the coal policy. The asset manager's communication did not provide any detail in this regard, and instead even indicated that it did not concern index funds, before being corrected.

4.6.4 Temporary exemptions for the stock of exposures

Few groups explicitly indicate the treatment of the stock of assets that are above the defined exclusion criteria (horizon of tolerated sales, etc.). In practice and as mentioned above, the AMF observed the case of a manager selling only the "biggest lines" in his portfolio because he lacked the control tools in place at the time of the publication of the company's policy. The asset management company has indicated that it is addressing the situation.

Moreover, in another situation, the AMF found that a manager did not mention in its policy the long period (2 year) for bringing exposures in line with the Group policy and applicable to it.

Chapter 4 - Recommendations

Generally speaking, banking and insurance groups and management companies in the Paris financial centre actively communicate on their climate commitments, and transparency has increased in recent years.

The information gathered during the work carried out by the authorities indicates, on the one hand, a strengthened approach to environmental responsibility, contributing to a long term business strategy and meeting client expectations, and, on the other hand, the financial industry's growing awareness of climate risks.

Market participants have multiplied their climate commitments. This has resulted in a relative complexity and heterogeneity of the indicators used, certain difficulties in using them appropriately in extra-financial publications or in defining and monitoring the actors' climate commitments. In addition, and for some commitments (e.g. green funding), the heterogeneity of the data used and the choice of very different indicators make comparisons between institutions difficult. Finally, financial institutions do not yet have a sufficient overview and the use of external service providers often remains indispensable. There is also a very uneven degree of maturity among the institutions covered in the report.

Several avenues for improvement and recommendations have been identified. General recommendations regarding commitments and how to report on them, particularly in TCFD reports for institutions that publish them, are first presented, before addressing more specific recommendations on coal.

1. General recommendations

Based on the observations, the authorities recommend that market participants:

1. Facilitate the traceability and improve the reliability of commitments

- Ensuring, from one year to the next, that public documents contain exhaustive information on climate commitments and that they can be identified as such by investors and other stakeholders.

- Ensuring an easy access to this information. Following the example of what has already been put in place by several institutions, a single document listing all climate commitments and actions taken could facilitate the traceability of commitments and more clearly delineate climate action in relation to the broader scope of ESG issues.

- In order to allow a good understanding of the commitments made, ensuring that the information indicates the date of entry into force of the commitments, any timetable set, the scope of entities to which the commitments apply, the scope of the investments concerned, as well as, where possible, a quantified objective in terms of means and/or result, as not all commitments are quantifiable.

- Providing more detailed information on commitments relating to financial portfolios (alignment, withdrawal from the fossil fuel sector, green financing, etc.) in the information provided to the general public, compared with commitments relating, for example, to the carbon and environmental footprint of institutions for their own operations. Not all commitments have the same scope.

- Identifying, through the Observatory for Sustainable Finance launched by professional federations in autumn 2020, all climate commitments taken by market participants and contribute to facilitating access to information through a single access point. The Observatory should define rules for the harmonised presentation of commitments in order to facilitate comparison among peers and monitoring over time.

2. Strengthening the effectiveness of the commitments by defining quantified objectives, a clearly defined timetable and monitoring progress

- Communicating accurately, through quantitative indicators or qualitative comments on the state of progress of commitments, their actual level of achievement, with a geographical and sectoral dimension where relevant, and progress over time.

- When working with clients to support them in the energy transition or engaging with companies held in the portfolio, further specifying engagement towards the adopted strategy and criteria, the allocated resources and the results achieved (adaptations of business models, commitments taken or achieved by financed companies…). These interrogations support the implementation of a tool for monitoring the customer relationship with the bank or insurer over time.

- Clarifying commitments made within collective initiatives and their possible complementarity/synergy with other commitments made by the entity; a reference to the involvement in initiatives, coalitions or think tanks appears not sufficient to shed light on the purpose and progress of actions carried out within each institution to comply with the commitments made through these different frameworks.

3. Enhancing the transparency and comparability of the identified indicators and methodologies

- In the event that institutions use a service provider, which is common both for calculating the carbon footprint, the 2°C alignment methodologies for financial portfolios or scenario analyses, and for calculating the "green" portion of investments, explain in the communication (TCFD report for institutions that publish one), the methodology used, the scope of assets covered by the methodologies, the limits and the results achieved. Furthermore, when communicating on results, it is important to limit the risks of misunderstanding of these synthetic indicators, which are necessarily based on numerous assumptions, and especially so for non-professional customers.

- Integrating, at least partially, scope 3 emissions related to financial portfolios[66], including banks' credit portfolios, in the calculation of the carbon footprint, as envisaged in the draft technical standards for the European Regulation "SFDR" [67] for investment portfolios. At the same time, trying to integrate scope 3 emissions should lead institutions to communicate on the progress made in their methodological work and the encountered obstacles.

[66] Financial portfolios' scope 3 is itself a function of the scope 3 emissions of the issuers in the portfolios.
[67] Regulation (EU) 2019/2088 of the Parliament and of the Council of 27 November 2019 on the disclosure of sustainability information in the financial services sector.

- Supplement communication on commitments related to the greening of financial portfolios (carbon footprint, alignment, green share) with information on the scope (type of assets concerned) and the coverage rate used for the analysis, and, beyond that, provide information that makes it possible to measure the real ambition of the commitments. Thus, when institutions provide figures (e.g. amount of green loans or green bonds), the outstanding amount must be contextualised with relevant references (e.g. all loans granted to companies over the same period, all bonds issued or acquired over the same period, etc.).

4. Involving the governance bodies of entities and involving the control frameworks to ensure the monitoring of the commitments made

- Formalising the control frameworks to be implemented for the monitoring of climate commitments, potentially as part of the control and audit plans.[68] Particular attention should also be paid to the review of service providers and the operational implementation of exclusion or sectoral policies.

- Generally speaking, drawing inspiration from the ACPR's recommendations in the May 2020 document "Governance and climate risk management by banking institutions: some good practices" for the definition and monitoring of climate commitments, particularly those relating to:

  - The integration of the risks associated with climate change into the strategy of institutions, in their elaboration by management bodies, their application within the entire group and in the tools deployed to monitor the strategy,

  - The importance of the internal organisation of the institutions, both in the assignment of responsibilities across all business lines and in the structuring of the monitoring of climate risk, to ensure effective control of these risks, in line with the institutions' strategic orientations,

  - The ability of institutions to capture and measure their exposure to climate change risks through their integration into risk analysis tools, in line with the risk appetite framework.

5. Taking into account the risks associated with biodiversity loss[69] in their commitments and operational implementation at the level of business lines

- In order to prepare for the new requirements under Article 3 of the SFDR Regulation, supplemented by Article 29 of the Climate and Energy Law of 8 November 2019 which requires information on the risks associated with climate change and biodiversity[70], defining and communicating on a biodiversity risk policy specifying, *inter alia*, and within the framework for the reporting on extra-financial information, the strategic guidance and efforts made.

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[69] Biodiversity does not constitute a commitment of the French marketplace.

[70] Article 29 of Climate and Energy Law No. 2019-1147 of 8 November 2019: "Art. L. 533-22-1.-I. of the French Monetary and Financial Code. In their sustainability risk policy, made public pursuant to Article 3 of the Regulation of the European Parliament and of the Council on the disclosure of information on sustainable investments and sustainability risks and amending Directive (EU) 2016/2341, portfolio management companies shall include information on the risks associated with climate change as well as those associated with biodiversity loss." "Art. L. 114-46-3. Undertakings governed by this Code are subject to the provisions of Article L. 533-22-1 of the French monetary and financial Code." The box below briefly presents the challenges related to biodiversity loss and the first initiatives in this regard.

2. Recommendations specific to the “coal” policy of French financial institutions

2.1 Key recommendations for banks and insurers

The present study highlights a general awareness among the main participants in the Paris marketplace of the financial sector’s responsibility to combat climate change, the need to establish and implement an active policy to reduce funding and other services provided to the coal industry, and the risk to remain exposed to the industry, including reputational risk.

Despite the methodological difficulties encountered, the different approaches used by the ACPR show that exposure to the coal sector, for both banks and insurers, is relatively low on average.

However, this overall assessment reflects different realities for different groups, some of which have now totally or nearly exited coal while others are still exposed. Furthermore, while the analyses to measure this exposure over the past five years suggest a steady decline in "coal" assets on the insurance balance sheet, the exposure of major banks based on "large exposures" reporting shows near stability between 2015 and 2019.

Coal exit strategies highlight two areas of attention:

- First, for a number of banking groups and, more rarely, insurance entities, it will be important to be able to announce a final exit date;

- Then, the criteria and exclusion thresholds announced by banks and insurers, which form the basis of their "coal" policy, show some heterogeneity in the policies established by those groups. This heterogeneity is due in part to the lack of available data (and disclosed by companies) and, where available, to a lack of harmonisation. This heterogeneity is also explained by a variety of approaches and criteria used by banks and insurers. Some, through the adoption of cross-thresholds combining relative and absolute limits and also including the entire coal value chain, have a broad-spectrum policy. Others, however, relying on one or two default exclusion criteria for their coal policy, which is of limited relevance; others exclude only some of the coal-related activities or include (often subtle) distinctions between current and potential customers.

Based on these observations, the ACPR recommends that institutions:

1. On coal exit strategy:

1.1 Adopt dedicated and consolidated coal policy presentation documents to avoid their being “spread” between several documents;
1.2 Always adopt a definitive date for the release of coal, and at least thermal coal.

2. On measurement of exposures and identification of the scope of transactions

2.1 To continue ongoing work to measure institutions’ exposure more effectively, including through the establishment of transparent and verifiable methods. The role of federations in this process, for a coordinated and harmonised approach and also for the dissemination of best practices, is essential;
2.2 Display, in a more visible and transparent manner, the transactions, financial instruments and other services affected by the institutions’ coal policies;
2.3 Always specify the databases used.

3. On criteria and thresholds for exclusion policies:

3.1 Systematically incorporate the main elements of the thermal coal value chain into these policies;
3.2 Simplify the conditions of application of the exclusion criteria in order to make them less complex and more comprehensible;
3.3 Completing the range of exclusion criteria, developing a harmonised approach to these exclusion criteria and putting in place a process to strengthen - in line with the defined exit dates - the requirement of the adopted exclusion thresholds.

2.2 Key recommendations for asset management companies

The work showed the progressive implementation of thermal coal policies in French management companies, with most major market participants having policies in place for several years and a significant number of AMCs indicating that they want to develop such policies. However, only 6 actors (belonging to 4 groups) among the 20 participants in the sample have announced target exit dates for coal.

The verifications carried out showed a good implementation overall of the policies as currently defined by the managers, although some differences between the policies and their implementation were noted. Areas of progress have also been identified with regard to the data used or the need to specify certain aspects of policies, including how to take account of the issuers' exit intentions.

The present study also shows that French funds as at 31 December 2019 had an overall exposure to the thermal coal sector which was relatively small compared to the amount of funds under management. Exposure nonetheless varies significantly across funds and the effort to exclude these issuers depends in particular on the investment universe of the funds concerned. The nature of the exposures also varies, in particular where the issuers in the portfolio are diversified groups for which thermal coal is a small part of the revenues, for example, or depending on whether the issuers in the portfolio have made commitments to exit thermal coal or, on the contrary, are identified as developing new capacity.

The policies mainly cover collective investment schemes, without systematically including dedicated funds and mandates for which the investor's approach and policies are crucial (even though some management companies may offer clients, more or less systematically, to apply the management company's policy) or index management, which is systematically excluded. In the case of collective investment schemes, the comparison of coal policies between asset managers is complicated by several factors:

- The heterogeneity of the combinations of thresholds and quantitative indicators used;
- The arrangements for considering the intention or commitment of companies to exit thermal coal, and differences in the implementation of these arrangements;
- The various operational restrictions on the implementation of policies: exemption from the scope for some instruments such as index derivatives or government securities, for some portfolios or customers, differences in treatment of existing stock...;

- Differences in the data used and controls performed by managers for the implementation of their policy; from this point of view, the analyses carried out again highlighted the progress needed in terms of issuer reporting and transparency of data providers' methodologies, which are the subjects of dedicated workstreams at European level.

While some of these situations may be understandable (*e.g.* an index manager is required to replicate its index or a client of a dedicated fund may oppose the exclusion of issuers), the descriptions in the policies do not always enable the various stakeholders to understand the reality of these situations.

Based on these observations, the AMF makes the following recommendations to asset management companies:

1. **On thermal coal policies:**

1.1 For management companies that have companies exposed to thermal coal in their investing world but wish to implement an exit policy, to publish their disengagement policy by specifying a final exit date for thermal[71] coal and the means to disengage from entities developing new capacities (mines, power plants or infrastructures) related to thermal coal;
1.2 To systematically propose to clients of dedicated funds who do not have their own policy or in the case of a mandate to implement this policy;
1.3 For management companies whose investment universe may include thermal coal-exposed issuers and who do not want to implement an exit policy, state publicly the reasons for this.

2. **On the criteria and thresholds set for thermal coal policies:**

2.1 To justify the thresholds chosen, for example in terms of the type of companies that will be able to continue to be funded under the policy and to name the main ones, and to indicate the means used to cover in the policy major players in the thermal coal value chain that are not subject to the policy because of the relative thresholds used, for example by introducing absolute thresholds;
2.2 When formalising or revising the thermal coal policy, communicate the estimated impact of the commitment made, for example in terms of exposure to the sector and of the companies who can continue to be funded under the policy.

3. **On the treatment of issuers with an intention or commitment to exit thermal coal:**

3.1 To explicit the criteria for retaining an issuer exceeding the policy thresholds or allowing it to benefit from new investments if applicable;
3.2 To specify the criteria according to which the asset management company will adopt in its dialogue or shareholder engagement, the modalities for such approach and, where relevant, the maximum period of time beyond which such action can lead to exclusion in the event that no improvement is found;
3.3 To monitor, and possibly, exclude, issuers which express an intention or commitment to exit coal by relying on disposals of its assets without closure plans or if they continue, at the same time, having plans to develop new coal mining or electricity generation capacities.

[71] This is understood as a date from which asset management companies will no longer have exposure to issuers with part of their activities related to the thermal coal value chain.

4. **On the data used to identify the issuers subject to coal policy:**

4.1 To have clear procedures for the use of thermal coal exposure data and to regularly monitor such data proportionate to (i) their use and (ii) the risk of incorrectly retaining a company that would exceed the established thresholds;
4.2 To indicate in the policy the data sources used and possible revisions to these data;
4.3 In the case of the implementation of a group-wide thermal coal policy, to implement a consistent approach regarding the data used and revisions made.

5. **On monitoring thermal coal exposures:**

5.1 Measure overall and per issuer exposure to the thermal coal value chain to ensure both proper implementation of the policy and good risk management;
5.2 To provide for an estimate of the evolution of this exposure, in particular for asset management companies that have made commitments for total exit from thermal coal;
5.3 To keep the details of disinvestments made under the coal policy.

Focus 2: Taking biodiversity into account

The alarming decline in the number of animal and plant species[72], the transformation of ecosystems due to human activities, the intensification of farming, the depletion of natural resources and repeated warnings from scientific circles and NGOs, have placed biodiversity at the heart of concerns for both European (see the EU Biodiversity Strategy for the horizon 20) and French public authorities (see the National Biodiversity Strategy (SNB) 2011-2020 and the 2018 Biodiversity Plan).

The ecological services provided by ecosystems, or ecosystem services, are essential to numerous aspects of human activity, such as ensuring food security or improving resilience to climate change. For some NGOs, biodiversity loss, like climate change, is a financial risk that is still too widely neglected (see the recent report by WWF and Axa[73]).

In this respect, initial work to quantify the level of exposure of the financial sector to the risk of biodiversity loss was conducted by the Dutch Central Bank (DNB, 2020) [74].

1. Growing awareness of the biodiversity risk among market participants

In this context, a small number of French financial institutions (banks, insurers, portfolio management companies) have begun to integrate biodiversity conservation into their strategic objectives and to publish commitments on the subject, following in the footsteps of some non-financial companies.

These strategic objectives are also reflected in sectoral, cross-cutting or specific policies concerning, for example, the exposure to certain agricultural commodities, the protection of the ocean, wetlands and forests, the financing of palm oil production, etc., which have already been implemented for several years.

Biodiversity commitments also focus on financing and investing in the forestry, water resources management and soil fertility sectors, accounting for the ecological value of land, the risks associated with the introduction of invasive species and the management of pesticides.

Customers' accountability and awareness requirements are also strengthened. In this respect, institutions may require their customers to carry out a preliminary assessment of the potential impact of projects to be financed from an environmental, social, and health perspective, as appropriate, and to comply with the principles of the Convention on Biological Diversity or the Roundtable on Sustainable Palm Oil (RSPO) by obtaining the certification of the same name.

The consideration of biodiversity issues is, where appropriate, integrated into the CSR policy as well as ensured through:

- Participation and collaboration in national and international private initiatives (Act4Nature[75], RSPO initiative, Soft Commodities Compact, etc.) designed to preserve biodiversity, which bring together financial players and representatives of the private sector. The topics addressed are varied: zero deforestation objective, palm oil certification, ways of integrating biodiversity into business model activities, etc.;

[72] See inter-governmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) (2019), The global assessment report on biodiversity and ecosystem services, May.
[73] WWF/AXA (2019), Into the wild - Provisions nature into investment strategies, May.
[74] DNB (2020), *Indebted to Nature*, June.
[75] This private initiative includes AXA, BNP PARIBAS, NATIXIS, SOCIETE GENERALE, HUMANIS, MIROVA, AMUNDI ASSET MANAGEMENT, CAISSE DES DEPÔTS, which take specific commitments in favour of biodiversity.

- Initiating work to develop metrics for assessing the biodiversity footprint of companies or portfolios of financial assets, in the same way as carbon footprints[76], and supporting initiatives aimed at increasing the transparency of companies and the financial sector on biodiversity issues (Taskforce on Nature-related Financial Disclosures (TNFD)[77]);

- The development, by a small number of asset management companies, of investment strategies dedicated to the restoration or preservation of biodiversity and natural capital;

- Biodiversity restoration programmes, through partnerships in the framework of policies to offset residual GHG emissions or policies on investments in private equity funds, in the absence of a specific biodiversity policy.

As was the case for climate a few years ago, the growing awareness of the risks linked to biodiversity loss should help to raise expectations vis-à-vis the financial sector (including legislators and supervisors – see below) and encourage industry players to strengthen their commitments on the matter.

In this perspective, and in order to improve the readability of their action, market participants could draw on some OECD recommendations included in the OECD's 2019 biodiversity report[78], in particular, among the key priorities identified by the Organisation, those relating to:

- The promotion of an international initiative with a common set of key indicators (coverage of protected areas, sustainably managed forest areas, etc.) to be adapted to finance according to criteria that are yet to be defined;

- The definition and sharing of biodiversity commitments;

- Increased financing for biodiversity from all public and private sources;

- The urgent need to reiterate the high cost of inaction in the face of the risk of biodiversity loss.

2. The European and national transparency framework for biodiversity is being strengthened

The European Commission's biodiversity strategy for 2030 is part of the European green deal and sets new targets for biodiversity in the areas concerned with converting at least 30% of Europe's land and seas into protected areas, restoring ecosystems, and improving governance in the public sector and

[76] See, for example, the CDC's initiative Biodiversity, Business for Positive Biodiversity (B4B+), to which AFD, BNP PARIBAS, BPIFRANCE, CREDIT AGRICOLE SA, CAISSE DES DÉPÔTS, DC, CNP ASSURANCES, GENERALI GLOBAL, THE BPCE GROUP, LA BANQUE POSTALE ASSET MANAGEMENTT, MIESCHAERT ASSET MANAGEMENT, MIROVA, SOCIETE GENERALE. More recently, AXA INVESTMENT MANAGEMENT, BNP PARIBAS ASSET MANAGEMENT, SYCOMORE ASSET MANAGEMENT and MIROVA have launched a common approach to developing a tool for investors to measure the impact of their biodiversity investments.

[77] The Task Force on Nature-related financial disclosures (TNFD) is an informal working group created in September 2020 by a coalition of 62 partners comprising Global Canopy, the UNEP, the UNEP Finance Initiative, WWF and financial institutions including AXA, BNP Paribas, AFD and BPCE, as well as the governments of the United Kingdom, France, the Netherlands and Switzerland. The TNFD, the launch of which is scheduled for early 2021, will be tasked with providing a framework for guiding environment-related financial disclosure by the end of 2022.

[78] OECD, Financing Biodiversity, Acting for the Economy and Undertakings, Report prepared by the OECD for the G7 French chairmanship and the meeting of Ministers for the Environment, May 2019.

within undertakings. In this context, financial institutions are therefore called upon to play a major role in this transformation. This role of the financial sector is also promoted by a number of recent European regulatory developments.

First, Article 2(17) of Regulation (EU) 2019/2088 “Disclosure” defines sustainable investment as an investment in economic activity that contributes to an environmental objective, measured through key indicators for the efficient use of resources relating to energy use, renewable energy, commodities, water and land, the production of waste and greenhouse gas emissions, or the effects on biodiversity and the circular economy. As a result, reporting institutions are required to communicate on the consideration of the main negative impacts of their investments on these sustainability factors.

Furthermore, biodiversity is also at the heart of Regulation (EU) 2020/852 on the taxonomy of green activities. The aim is to identify a list of economic activities with performance criteria that aim to contribute substantially to at least one of the six environmental objectives of the European Commission (mitigation of climate change, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, limiting waste, recycling, control and prevention of pollution, protection of healthy ecosystems).

Finally, in France, Article 29 of the Climate and Energy Law of 8 November 2019 will make it mandatory for financial institutions, from 2022 onwards, to include in their extra-financial reporting their contribution to the preservation of the biodiversity of ecosystems and natural resources as well as the risks related to biodiversity.

Annex 1 - The “Climate and Sustainable Finance” Commissions of the ACPR and the AMF

Created on 2 July 2019, in the context of the financial market agreement on a coal exist strategy signed by the main professional associations, the ACPR's and the AMF’s Climate and Sustainable Finance Commissions comprise, within their respective fields of competence, the main stakeholders on the topic of sustainable finance. Their role is to help both Authorities in carrying out their missions, both in terms of regulation and supervision, on issues related to sustainable finance and climate risks. Both Commissions also support the authorities in their monitoring and assessment of commitments made by financial institutions and independently assess them in this joint report.

The Authorities’ commitment for Sustainable Finance

The objective of the Authorities is to change practices, increase transparency and facilitate the consideration of climate change risks and sustainability issues, as well as the mobilisation of capital for activities contributing to the transition to a low-carbon and more sustainable economy.

In particular, the work of the two Authorities focuses on the monitoring and evaluation of individual public climate commitments made by banks and insurance undertakings for the ACPR’s part, and asset management companies for the AMF’s.

Based on an initial survey carried out by the authorities, six major areas of commitment made by market participants have been identified:

- Internal policies and the carbon footprint of entities;
- Exit strategies from fossil energy in the form of divestment policies, exclusion policies relating to the cessation of financing for certain sectors, and policies excluding insurance cover for certain activities;
- Commitments in favour of "green" financing and investments or insurance coverage for "green" activities;
- Shareholder commitments and any other supporting commitments to encourage a better consideration of climate and environmental issues;
- Commitments to reduce greenhouse gas (GHG) emissions from portfolios or towards alignment with the objectives of the Paris Agreement;
- Lastly, the commitments in terms of transparency of information relating to the inclusion of climate issues.

For the ACPR:

Beyond the credibility of the commitments, the ACPR's aim is to assess the efforts made by institutions to reduce the carbon footprint of their activities, their contribution to the greening of the financial system, as well as the consistency of their commitments with the Paris Agreement.

To this end, the ACPR's CCFD draws on the findings of the working groups set up with industry stakeholders on climate risk governance, the metrics and analysis of climate change scenarios, and the work of the Network for Greening the Financial System, the ACPR being a member. More specifically, the analysis of climate scenarios is conducted in 2020 as part of a pilot exercise, which, in addition to the measurement of vulnerabilities and methodological aspects, should also make it possible to assess, from a dynamic perspective, the consistency of banks' and insurers' medium-term public commitments.

The ACPR's Climate and Sustainable Finance Commission has also been seized of all the work carried out on the themes of climate risks and sustainable finance. In particular, its opinion was requested within the framework of the ACPR General Secretariat's answers to various European consultations and work on the evolution of the European regulatory framework (taxonomy of climate and environmentally sustainable economic activities, European Green Bond Standard or Ecolabel...), revision of the Directive on the disclosure of non-financial information (NFRD) or the European Commission's Sustainable Finance Strategy.

For the AMF:

The AMF has developed its commitment to sustainable finance through its reports on socially responsible investment and extra-financial approaches in collective management and social, societal and environmental responsibility, together with its regular interaction with stakeholders on these topics. The Authority has made this a major focus of its strategic plan, #Supervision2022, which is reflected in all its missions and activities, and detailed in the roadmap for sustainable finance published in November 2018.

The French PACTE law, which was passed in the spring of 2019, also added to the recognition of this new responsibility by defining a specific mission for the AMF, which is responsible for ensuring the quality of the information provided by asset management companies on their investment strategy and their management of the risks associated with the effects of climate change. In the spring of 2020, the AMF notably published a guidance on extra-financial approaches in collective management to clarify its expectations in terms of investor information. The primary objective of this guidance is to prevent greenwashing risks.

As part of the work of its Climate and Sustainable Finance Commission, the AMF also focused on necessary progresses in extra-financial reporting, the role of ESG rating agencies and ESG data providers, as well as the use of carbon data by asset managers. The Commission was also mobilised in the context of the establishment of a new "sustainable finance" certification mechanism.

Mobilising new expertise and working collectively on these new issues

Taking into account the effects of climate change and other environmental and social risks on economic models mobilises multiple areas of expertise. It concerns corporate strategies and therefore requires close dialogue between these firms and those that finance them. It also touches on the beliefs and preferences of investors both institutional and retail.

The Climate and Sustainable Finance Commissions (CCFD) of the ACPR and the AMF: mandate, members and operation

The role of the ACPR's and the AMF's Climate and Sustainable Finance Commissions is to help both authorities in the conduction of their regulatory and supervisory tasks on topics related to sustainable finance and climate risks. These committees also provide an exchange forum with the aim of contributing to the effective mobilisation of the financial sector in the face of climate risks and in favour of the energy transition.

Mandate

The mandate of these commissions includes the following tasks:

- Monitoring and assessing the climate commitments made by entities in the financial centre. It includes the definition of methods for measuring and communicating on commitments to ensure their comparability and monitoring over time, and the involvement in the drafting of the joint annual report by the two Authorities;

- Confronting the views of various stakeholders on the response of the financial sector to climate risks and, more generally, the contribution of finance to environmental, social and societal challenges and sustainable development;

- Providing technical expertise and looking at market and practices developments as well as innovations in the ESG area and emerging issues and risks;

- Contributing to the work carried out to change the national or European legislation within their fields of competence, as well as to international reflections in the area, and to assist in the implementation of regulations;

- Providing advice on the draft reports or guides related to sustainable finance in their respective fields of competence;

- For the AMF, draft regulatory texts or documents about which the College's opinion is sought, and proposals for the evolution of the AMF’s doctrine on the subject (positions or recommendations);

- Contributing to the development of methodologies and best practices in terms of communication and transparency on issues related to sustainable finance and climate risk.

Operation

The commissions have an advisory status. As such, they are called upon to express their views on the respective productions of the ACPR’s and the AMF’s services. They may call upon experts outside of their membership roll if necessary, and invite them to participate in their meetings. This work may lead to publications, where applicable, by the ACPR or the AMF. The Commissions may invite external

experts. They may also warn their respective College on issues related to their scope of analysis. They may establish dedicated working groups chaired by a member of the commission. The members of these two commissions shall not be remunerated.

The AMF's Climate and Sustainable Finance Commission meets on a monthly basis and the ACPR's at least on a quarterly basis. The Treasury General Directorate participates in the work of both Commissions.

Composition

The two Climate and Sustainable Finance Commissions are chaired by a member of their Board, respectively Mr Patrick de CAMBOURG for the ACPR and Mr Thierry PHILIPPONNAT for the AMF.

Their members come from the banking and insurance sectors for the ACPR, or reflect the components of the financial market for the AMF. They come from academia, associations, non-governmental think tanks, from civil society and as qualified figures in the fight against climate change, for sustainable finance and methodologies used for assessing exposures to climate risks. They are appointed *intuitu personae* by the Colleges for a renewable 3-year term.

Members of the ACPR Commission

- Mr Patrick de CAMBOURG, Member of the ACPR College, Chairman of the Accounting Standards Authority, Chairman
- Ms Patricia CRIFO, École Polytechnique, Vice-Chairman
- Ms Anne LE LORIER, Banque de France, Vice-Chairman
- Ms Véronique ANDRIEUX, WWF France
- Ms Nathalie AUFAUVRE, Banque de France, NGFS
- Mr Patrick BADER, French Banking Federation
- Ms Valérie BOMPARD, VYV Group
- Mr Michel CARDONA, I4CE
- Ms Anna CRETI, Paris Dauphine University
- Mr Louis DOUADY, NATIXIS
- Ms Sophie ELKRIEF, MAIF
- Ms Catherine GALVEZ, CREDIT AGRICOLE SA
- Christian GOLLIER, Toulouse School of Economics
- Mr Alain GRANDJEAN, Hulot Foundation
- Ms Fanny HENRIET, CNRS - École Polytechnique - ENS
- Ms Sylvie LEMMET, Court of Auditors
- Mr Thierry PHILIPPONNAT, representative of the ACPR's Sanctions Commission
- Mr Franck RONCEY, BNP PARIBAS
- Mr Antoine de SALINS, I CARE & CONSULT
- Ms Christine TARRAL, French Insurance Federation
- Mr Sylvain VANSTON, AXA
- Representative of the AMF (Ms Julie ANSIDEI)
- Representative of the Treasury Directorate General (Charlotte GARDES)

Members of the AMF Commission

- Mr Thierry PHILIPPONNAT, Chairman
- Ms Pervenche BERES, European MEP from 1994 to 2019
- Mr Dominique BLANC, NATIXIS CIB
- Ms Candice BRENET, ARDIAN
- Ms Anne CHASSAGNETTE, ENGIE
- Mr Emmanuel DE LA VILLE, ETHIFINANCE
- Ms Caroline DELERABLE, EY
- Ms Julie EVAIN, I4CE
- Ms Julia HAAKE, ISS ESG
- Ms Bertille KNUCKEY, SYCOMORE AM
- Mr Jochen KRIMPHOFF, WWF
- Ms Michèle LACROIX, SCOR
- Ms Caroline LE MEAUX, AMUNDI
- Ms Mireille MARTINI, OECD
- Ms Lise MORET, AXA IM
- Ms Nicolas MOTTIS, Ecole Polytechnique
- Ms Nicole NOTAT, VIGEO-EIRIS
- Ms Alice PEYRARD, VEOLIA
- Ms Alexandre RAMBAUD, agroparistech/CIRED/Paris-Dauphine University
- Mr Eric SOUBEIRAN, DANONE
- Mr Gilles VERMOT DESROCHES, SCHNEIDER ELECTRIC
- Ms Helena VIÑES FIESTAS, BNP PARIBAS AM
- Mr Jean-Yves WILMOTTE, CARBONE 4
- Representative of the ACPR (Mr Laurent CLERC)
- Representative of the Treasury General Directorate (Charlotte GARDES)

Annex 2 - Selected sample

BANKS

1. FRENCH DEVELOPMENT AGENCY (AFD)
2. BNP PARIBAS GROUP
3. BPCE GROUP
4. CREDIT AGRICOLE SA GROUP
5. CAISSE DES DEPÔTS GROUP
6. CREDIT MUTUEL GROUP
7. HSBC FRANCE
8. LA BANQUE POSTALE
9. SOCIETE GENERALE GROUP

INSURANCE UNDERTAKINGS

1. ALLIANZ HOLDING FRANCE
2. AVIVA FRANCE
3. AXA SA
4. BNP PARIBAS CARDIF
5. CCR
6. CNP ASSURANCES
7. COVEA
8. CREDIT AGRICOLE ASSURANCES
9. GENERALI FRANCE
10. GROUPAMA SA
11. CREDIT MUTUEL INSURANCE GROUP
12. MACSF SGAM
13. MUTUELLE ASSURANCE DES COMMERCANTS ET INDUSTRIELS DE FRANCE ET DES CADRES ET SALARIES DE L'INDUTRIE ET DU COMMERCE
14. NATIXIS ASSURANCES
15. SCOR SE
16. SGAM AG2R LA MONDIALE
17. SOGECAP

ASSET MANAGEMENT COMPANIES

1. AMUNDI ASSET MANAGEMENT
2. AVIVA INVESTORS FRANCE
3. AXA INVESTMENT MANAGERS PARIS
4. AXA REIM SGP
5. BNP PARIBAS ASSET MANAGEMENT
6. CM-CIC ASSET MANAGEMENT
7. COVEA FINANCE
8. CPR ASSET MANAGEMENT
9. EUROTITRISATION
10. FEDERAL FINANCE GESTION
11. GROUPAMA ASSET MANAGEMENT
12. HSBC GLOBAL AM FRANCE
13. LA BANQUE POSTALE ASSET MANAGEMENT
14. LYXOR ASSET MANAGEMENT

15. LYXOR INTERNATIONAL ASSET MANAGEMENT
16. NATIXIS INVESTMENT MANAGERS INTERNATIONAL
17. OFI ASSET MANAGEMENT
18. OSTRUM ASSET MANAGEMENT
19. SOCIETE GENERALE GESTION
20. SWISS LIFE ASSET MANAGEMENT FRANCE

Annex 3 - AMF questionnaire addressed to the entire population of asset management companies and profile of respondents

In addition to the analyses of the top 20 asset managers in terms of outstandings, the AMF addressed some questions to the entire population of asset management companies, representing more than 600 players. The questionnaire provided an overview of the commitments made by asset management companies depending on their characteristics (type of management, size, shareholding…) and carried out an initial analysis of the various organisational structures of asset management companies in terms of the definition, monitoring and governance associated with stakeholder climate commitments.

Questions addressed to the entire population of asset management companies:

1. Has your asset management company defined a coal exit strategy? [Yes/No]
   - [If not], when do you intend to do so? [MM/YYYY]
2. Has your asset management company defined a climate strategy? [Yes/No]
   - [If not], when do you intend to do so? [MM/YYYY]
3. Has your asset management company made commitments that meet the definitions presented? [Yes/No]
   - [If yes], for each commitment category, if applicable, state the proportion of the managed stocks covered [Percentage < 100%]
4. Do certain commitments by your parent group apply to your management company? [Yes/No]
5. What governance structure is responsible for defining and monitoring commitments?
6. Who is responsible for monitoring the fulfilment of commitments? [Head of Compliance/Head of Internal Control/Head of CSR/Risk Directorate/Other]
7. How frequent is the monitoring of commitments carried out by the asset management company? [Quarterly/Semi-Annual/Annual/Never]
8. How frequent is the monitoring of the fulfilment of commitments presented to the effective managers? [Quarterly/Semi-Annual/Annual/Never]

More than 80% of the market participants filled out the questionnaire, representing more than 95% of the asset under management of French asset management companies.

For the profile of the management companies that have replied:

- The majority of outstandings of the financial centre are held by portfolio management companies whose principal shareholder is a credit institution (67%) ahead of insurance companies (12%);

- Almost half of portfolio management companies have a number of FTEs comprised between 10 and 50 employees (48%) while portfolio management companies with 50 employees account for more than 50% of the outstanding amounts handled by the financial centre's portfolio management companies;

- A majority of portfolio management companies, in terms of number (56%) and outstandings (95%) are developing a general investment product offering (equity, rates…) while one third of the management companies that answered the questionnaire are investment firms specialised in private equity and 11% are specialised in real estate.

Annex 4 - Criteria and thresholds retained in the Global Coal Exit List

Criterion	Players in the relevant value chain	Thresholds	Comments
		GCEL	
Weight of thermal coal in turnover (%)	Mining firms, electricity producers, infrastructure	30%	Relative threshold
Thermal coal production (Million Tonnes)	Mining firms	20 MT	Absolute threshold
Coal electricity production capacity (gwatts)	Electricity producers	10 GW	Absolute threshold
Proportion of electricity produced from coal (%)	Electricity producers	30%	Relative threshold
Development	Mining firms	+1 MT	Absolute threshold
	Electricity producers	+300 MW	Absolute threshold
	Infrastructures	No threshold	N/A

Source: GCEL Thresholds in force on 31 August 2020

Annex 5 - Background of coal exit policies

1. Uses of coal

Coal is a generic term that encompasses two broad industrial uses: **metallurgical coal,** also called **coking coal** or **steel coal**, assorted with a high calorific power and used for the production of steel, and other varieties grouped under the term **thermal coal**, solely intended for energy use. However, the boundary between those categories is porous since metallurgical coal grades can be used in energy production.

The distinction actually comes from the processing of metallurgical coal in a coking plant. The produced coke is a key component of steel from iron ore. It brings to the blast furnace the heat needed to melt the ore as well as the carbon needed to reduce it (extracting iron from iron oxides) to produce pig iron, which can then be converted into steel.[79]. This sector provided 75% of the world's crude steel production in 2018, with the remainder mainly derived from the recycling of steel in electric arc furnaces (World Steel Association, 2019). In 2018 metallurgical coal accounted for 12.5% of world production (in tonnes) and the steel industry accounted for 12.3% of world consumption (in tonnes) (International Energy Agency, 2020).

Thermal coal therefore accounts for the bulk of coal production and demand. The energy supply sector is the world's largest consumer of coal, amounting to 67.4% of consumption in 2018 (in tonnes). It covers electricity generation (71.5% of coal's energy input to the energy supply sector in 2018 (International Energy Agency, n.d.)[80]), combined heat and power generation (27.5%) and production for heating networks (1.0%). The industry is also a consumer of thermal coal, as is the non-metallic ore industry[81], as coal fuels cement plants. Then there is consumption of households, shops and public services (2.5% of world consumption in 2018). Conversion into gas or liquid fuel, which is also thermal coal consumption due to end use, accounts for a small share of demand. Finally, coal is used for non-energy uses (carbochemicals, tar manufacture) which are not covered by the terms thermal and metallurgical coal.

2. Impact of coal on global warming

According to the IEA (International Energy Agency, March 2019), **coal is the fossil fuel that has contributed the most to global warming**. Cumulative CO_2 emissions from coal combustion are responsible by the end of 2018 for a share equivalent to 0.3°C of the total 1°C increase in average annual surface temperatures on the earth's surface compared to pre-industrial levels. Although coal has been supplanted by oil as the largest source of energy since the 1960s, it remains the **main source of greenhouse gas (GHG) emissions worldwide**, through the activities included in its value chain.

Downstream, coal combustion -then called thermal coal- accounts for 39% (or 14.8 Gt) of global CO_2 emissions in 2018, making it the activity with the highest GHG emissions (28% of total emissions excluding those related to land use, land-use change and forestry, etc.). (PBL Netherlands

[79] Cast iron and steel are iron and carbon alloys, which can be differentiated by their carbon content. The carbon content of cast iron is above 2%, and that of steel is below 2%.
[80] Calculations based on IEA global energy balance sheet data.
[81] According to the IEA data, the non-metallic ore industry consumed 5.5% of total coal energy in 2018, less than the steel industry (14.9% including the coking stage) and the energy sector (67.7% not including coking).

Environmental Assessment Agency, 2019)[82]. Compared to other fuels, **coal accounts for 44% of CO_2 emissions in 2018**, ahead of oil (34%) and natural gas (21%), while it is only the second most important primary energy source (26%) after oil (31%) and ahead of natural gas (23%).

This disproportion is explained by the significant contribution to CO_2 emissions from coal-fired electricity and heat production, which exceeded 10.1 Gt in 2018, or 73% of the emissions of the all-fuel sector combined. Moreover, this emissions item has doubled since 1990 (5.0 Gt), accounting alone for more than 80% of the increase in the sector's annual CO_2 emissions from 1990 to 2018 (International Energy Agency, n.d.). Indeed, coal continues to occupy the first place in the production of the world's electricity and heat -around 38% of the energy produced in 2018, at a stable level since 1990 (International Energy Agency, 2020). It is the most emissive mode of electricity production (1058 gCO_2e/kWh) compared to oil-steam power plants (730 gCO_2e/kWh), gas power plants (418 gCO_2e/kWh) and nuclear power plants (6 gCO_2e/kWh).[83] (ADEME (French Environment and Energy Management Agency), n.d.).

Still downstream, other energy uses of coal, mainly in industry, account for 30% (4.5 Gt) of CO2 emissions from coal combustion in 2018. These emissions increased by 36% compared with 1990 (3.3 GT) after reaching a peak in 2014 (5.1 GT) (International Energy Agency, n.d.). In the cement industry, thermal coal is often the fuel used to provide the necessary energy to the clinkerisation process, which is responsible for 4.1% *of global* CO_2 emissions in 2018, (PBL Netherlands Environmental Assessment Agency, 2019) coal providing 43% of the industry's energy demand (in 2019) (International Energy Agency, 2020). Non-energy uses of coal also issue CO_2 but marginally.

Upstream, coalmines are responsible for 10% of methane emissions in 2018, amounting to 0.97 $GtCO_2eq$[84]. All the activities of the coal value chain -from production to transportation and logistical infrastructures - consume energy, implying GHG emissions.

The level of global coal demand thus has a crucial climate impact, as illustrated by the IEA projections that incorporate the effects of the pandemic (International Energy Agency, April 2020). The expected 8% drop in the world's coal demand from 2019 to 2020 would avoid 1.1 GT of CO2 in 2020, or 42% of the drop in energy-related CO_2 emissions from 2019 to 2020 (-2.6 Gt, or -8% compared to 2019).

3. Transition scenarios

Transition scenarios explore potential developments in socio-economic systems to reduce GHG emissions and thus limit the rise in temperature. Coal-related activities play a prominent role in their impact on GHG emissions.

For example, the Intergovernmental Panel on Climate Change (IPCC) deems (IPCC, October 2018), with a high degree of confidence, that the share of coal in the electric mix must fall to almost 0% by 2050 **in all trajectories compatible with an increase in temperatures limited to 1.5°C** (Climate Analytics, September 2019). Starting from the IPCC's trajectories, the international research centre Climate Analytics estimates (Climate Analytics, September 2019) that coal-fired electricity generation must decrease by 80% from 2010 to 2030 and be fully shut down before 2040. Target exit dates vary along

[82] The Dutch Environmental Assessment Agency's report consolidates several data sources, including the IEA data and the EDGAR database on GHG emissions from the Joint Research Centre of the European Union.
[83] CO_2 emissions in relation to the energy produced (in kWh).
[84] Quantity of CO_2 triggering the same radiative forcing as the gas at issue. Methane has a cumulative warming potential over 100 years, which is 28 to 30 times higher than CO_2.

geographical zones: 2031 for OECD countries and the Eastern and Former USSR, 2032 for Latin America, 2034 for the Middle East and Africa, and 2037 for non-OECD countries.

This **geographical** distinction is due to the significant differences that have existed to date between countries in the dependence of their coal electric systems. Indeed, while the share of coal in the electric mix is 37% on average in 2019, it is stronger in Asia, where 90% of the new production capacity has been concentrated for 20 years, in particular, in India (70%) and China (64%) than in Western countries, such as the United States (25%) and the European Union (15%) (International Energy Agency, April 2020). According to a July 2020 census (Endcoal.org, 2020), five countries alone account for 77.4% of the 2,047 GW of global electricity generation capabilities: China (50%), United States (11.7%), India (11.1%), Japan (2.4%) and Germany (2.2%). In addition, **the average age of the fleet in 2020** (International Energy Agency, September 2020) **is much younger in Asia**, as in China (13 years), than in Europe (35 years) and in the United States (40 years).

More than 60% of the worldwide fleet is less than 20 years old (International Energy Agency, Novembre 2019), while coal plants have a 40-year average economic lifecycle. According to the IEA, this young age of plants means that the current fleet of coal-fired electricity plants, if it continued operating under current projections, would almost exhaust carbon emissions budgets aligned with the objectives of the Paris Agreement. To reduce locked-in emissions, the IEA outlines three options: retrofit with carbon capture and storage technologies (CCS) or biomass co-firing equipment, repurpose to provide flexibility to the network, and retire early.

In its Sustainable Development Scenario (SDS)[85] (International Energy Agency, Octobre 2020), the IEA considers that retrofit and repurposing would avoid 15 GT cumulative CO_2 emissions from 2019 to 2030, compared to 4GT avoided by early withdrawal and 6Gt by renouncing new capabilities (200GW). All measures would halve the annual CO_2 emissions from coal-fired plants from 2019 to 2030, whose share in the electric mix would reach 15% in 2030. Nevertheless, CCS technologies have raised discussion about what extent their large-scale deployment would be feasible and sustainable. The scenarios that are not based on the development of CCS entail a rapid decline of coal-fired electricity generation, for example, by 85% from 2019 to 2030 for *Climate Analytics*, compared to 50% in the IEA's SDS.

In addition to a 45% decrease in the demand for coal from 2019 to 2030, the IEA also projects a 21.5% decrease in the demand for industrial coal from 2019 to 2030, which would reduce the share of coal in the primary energy mix from 26% in 2019 to 17% in 2030.

In the steel industry, the IEA considers a reduction in industry emissions (divided by two from 2020 to 2050) (International Energy Agency, October 2020), through more efficient use of downstream resources (in order to reduce final steel consumption) and upstream inputs (through better industrial returns), better energy performance and greater diversification of production channels. Blast furnaces would only account for 30% of production in 2050 (compared to 70% in 2019), behind electric furnaces recycling (38% vs 22%). This scenario also requires the development of CCS techniques, which account

[85] The Sustainable Development Scenario (SDS) focuses on three of the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015 in their Agenda 2030: universal access to energy (SDG 7), reducing adverse effects on the health of air pollution (SDG 3.9) and combating climate change (SDG 13), pursuing the objectives of the Paris Agreement. With a probability of 66%, the SDS contains the increase in temperatures below 1.8°C without using negative net emissions. The scenario results in a zero net carbon position (carbon neutrality) in 2070.

for 13% of production in 2050, as well as direct reduction[86] (19% in 2050). However, these techniques are still at the prototype or demonstrator stage, which calls into question the substitutability of metallurgical coal.

The SDS also relies on a decline in the consumption of thermal coal in cement, around 29%[87] from 2019 to 2030. Transition strategies are similar to those of the steel industry, such as making a better use of resources (lowering the clinker rate in cement) and converting plants to electric power.

4. Public policies on coal exit

In the wake of the Paris Agreement, global public policies have increasingly pursued coal exit engagements. These engagement draw on the consensus emerging from the different transition scenarios, which make exiting coal an essential step in the fight against climate change.

For example, the Powering Past Coal Alliance, which was launched in November 2017 by the Governments of Canada and the United Kingdom at COP 23[88], currently brings together 111 members, including 34 national governments, 33 sub-national governments (of which 11 US states) and 44 organisations (Powering Past Coal Alliance, 2020) . Government members are committed to shutting down their existing coal plants gradually and imposing a moratorium on any new production capacity without operational carbon capture and storage. OECD and EU countries are also asked to commit to an exit by 2030, and other countries by 2050.

France is one of the Alliance members that have adopted a closure programme for its coal-fired plants. Indeed, the Energy and Climate Law of 8 November 2019 requires fossil fuel generation facilities from 1 January 2022 to limit greenhouse gas emissions per unit of energy, which ends the production of electricity from coal in the French “hexagon”. In 2018, the four power plants at issue accounted for less than 1.2% of domestic electricity demand but for 30% of the energy sector's GHG emissions. This provision is consistent with the objective of achieving carbon neutrality in 2050. Germany, which joined the Alliance in 2019, adopted a law in July 2020 to close its coal plants by 2038, while the share of coal in the electric mix has one of the highest levels in Europe, with 29.1% of net electricity production in 2020 (Fraunhofer Institute, January 2020).

To close their coal-fired power plants, France and Germany provide supporting measures to protect jobs, such as professional retraining for employees in power plants and subcontracting companies, and to revitalize the local economic fabric. The German plan has a budget of around €40 billion, of which € 4 billion aim to compensate the companies that operate coal-fired power plants. Thus, social and economic support is arguably the main challenge to exit coal in Europe. In the European Union, 15% of electricity production capacity come from coal. More than 200 power plants and 120 coalmines employ around 237,000 people, more than half of them in Poland, followed by Germany and the Czech Republic (Joint Research Centre, European Commission, 2018).

[86] This process enables iron ore conversion to steel without reaching melting temperature. Direct reduction with 100% of dihydrogen makes it possible to greatly restrict CO_2 emissions.
[87] Calculation from (7) and (15).
[88] 23rd annual session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.

Therefore, the European Commission proposed a Just Transition Mechanism in the context of its European Green Deal, announced at the end of 2019[89]. The Mechanism contains three financing instruments[90] to lever €150 billion over the 2021-2027 period in the regions most affected by the transition. To reach the Green Deal's ambition, carbon neutrality by 2050 will be set by law in the European Climate Act and GHG emissions will have to decrease by 50-55% by 2030 (compared to 1990). All the European texts and instruments, such as emission standards for vehicles, structural funds or the European trading scheme for CO_2 emissions credits, will need to be aligned with this objective and the European Commission will be able to make recommendations to Member States, which will have to take them into account or explain otherwise.

At international level, in September 2019, the Secretary-General of the United Nations, António Guterres, invited world leaders to stop the construction of new coal-fired plants in 2020. More recently, in summer 2020, Guterres insisted on stopping public financial support to such projects, while governments set up stimulus plans to deal with the Covid-19 epidemic crisis.

In fact, economic stimulus measures could explain the relative recovery in final investment decisions in new coal-fired power plants observed in Asia since the beginning of the year. As a result, China - which was committed in September 2020 to achieve carbon neutrality in 2060 - authorised 8 GW of new capacity in the first quarter of 2020, about the capacity rolled up in one full year in 2018 and 2019. Investment decisions follow a global downwards trend over the 2010-2015 period, as they reach 17 GW in 2019 or their lowest level since 1980. It is nevertheless not enough to dampen the increase in coal-fired electricity production capacity, as the pace of withdrawal is insufficient. The IEA plans a net increase in the capacity of 42.1 GW from 2020 to 2023 (International Energy Agency, May 2020).

However, coal is often no longer the most competitive way to generate electricity, as the energy sector makes major progress in technological developments and is driven by different public policies. According to a recent survey covering 95% of coal-fired power plants (Rocky Mountain Institute, Sierra Club, Carbon Tracker, June 2020), the decline in renewable energy costs is such that it is now cheaper to stop and replace 39% of coal-fired power plants with new renewable energy capacity. This ratio is projected to increase to 73% worldwide by 2025 and from 81% in 2020 to 100% in 2025 in the European Union. The study takes account of public policies that increase the cost of GHG emissions and support renewable energy, and that are particularly developed in Europe. The study, however, estimates that 93% of coal-fired plants avoid competition from renewable energy, due to long-term contracts or non-competitive pricing supported by government support. Some countries highlight the energy security provided by coal that they do not need to import (contrary to natural gas for example).

Finally, transition policies also affect other uses of coal. In France, where energy production accounts for only 30% of coal consumption (in 2017), the Multi-Year Energy Programme for 2019-23[91] foresees a 66% decrease in the primary consumption of coal by 2023 (compared to 2012). In addition to the closure of coal plants by 2022, the steel industry will continue experiments to lower CO_2 emissions in blast furnaces and set up demonstrators to fully replace coal. Other industry sectors will have to focus on replacing thermal coal with biomass or Solid Recovered Fuels.

[89] Several legislative initiatives have been launched by the European Commission since the beginning of 2020 and are being negotiated: a proposal for a regulation for the European Climate Law (March), a proposal for a regulation establishing the Just Transition Fund (January) etc.

[90] The Just Transition Fund (grants), the InvestEU framework (loan guarantees) and a public sector lending facility established by the European Investment Bank.

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Annex 6 - Thresholds and exclusion criteria of the 9 banks surveyed

Banking Group	Existence of a public coal policy	Communication on a total end date of the net coal financing	Data base used	Exclusion thresholds for coal policies				Criteria for exclusion from coal policies	Other
				Production activities /exploration:	Electricity/energy production activities	Annual coal production	Installed capacity		
AFD	Yes	Europe/OECD: 2013 Rest of the world: 2013	No stated database					Exclusion from: «financing of coal-fired central projects, with the exception of central banks including an operational framework for CO_2 capture and storage». Exclusion of «exploration or production projects, or dedicated exclusively to the transport of coal, gas, and oil, the infrastructures associated with a unit for the exploration, production or storage of fossil resources (mines, processing units, refineries, storage etc.), or the production of fossil energy electricity, if this unit is deemed not to be eligible for the purposes of AFD financing against its climate strategy and energy transition.	
BNP Paribas	Yes	Europe/OECD: 2030 Rest of the world: 2040	No stated database	50% of the revenue	At least 30% of installed capacity (MW)			Exclusion of «financing dedicated to new coal central projects» and «the financing of mining projects dedicated to the extraction of thermal coal»	
BPCE Natixis	Yes	Europe/OECD: 2030 Rest of the world: 2040	Ad hoc analysis, Global Coal Exit List, ISS Ethics	50% of revenue (since 2015) 25% of the revenue (2019)			50% installed capacity (since 2015) 25% installed capacity (2019)	Exclusion of «any project of coal or thermal coal mine»	
CA SA	Yes	Europe/OECD: 2030 Rest of the world: 2040	Trucost	50% of the revenue (2018) If > 25% of the revenue, the transition path is appreciated (2019) - 25% is therefore not an exclusion threshold.				Total exclusion of developers from new coal capabilities except for existing corporate customers, a gradual process of exclusion is introduced (communication by 2021 of a coal withdrawal plan)	

CDC	Yes	No date announced	Trucost	20% of the revenue (2015-2018) 10% of the revenue (2019)				Total exclusion from developers.	Encourage all energy and offshore mining companies of which CDC is a shareholder and whose revenue depends on thermal coal, to reduce their activities in this field to target a coal-based electric production close to 0 before 2030 (OECD)/2050 (rest of the world)
CM AF	Yes	Europe/OECD: 2030 Rest of the world: 2030	GCEL (since 2020)	50% of the revenue (2018-2019) 20% of the revenue (2020)	20% of the energy mix (2020)	10 MT (2020)	5 GW (2020)		
CM ARKEA	Yes	No date announced	GCEL	30% of the revenue (2019)	30% of the energy mix (2019)	20 MT (2019)	10,000 MW (2019)	Total exclusion: New development projects	
HSBC FRANCE	Yes	No date announced	No data base reported					Exclusion of developers from thermal plants as completely new facilities, (except if possible if CCS), major extensions of non-corporate HSBC installations	Additional due diligence is required in case of a client whose portfolio exceeds 3,000 MW of capacity and wishes to expand its business
LBP	Yes	Not applicable	GCEL/Trucost					Exclusion of industry in all forms	
SG	Yes	Europe/OECD: 2030 Rest of the world: 2040	Global Data (2 degrees investing); GCEL Supplemented /compared to internal information.	20% of the revenue or prospect: Thermal coal developers or perform more than 25% of the revenue in the Solar Coal sector or have not communicated a transition plan consistent with the exit targets of SG Coal. or Already client: 25% of revenue is related to the thermal coal sector which did not release a transition plan incorporating a release date of this sector		10 MT		Current prospects and customers who develop or plan to develop new hydrocarbon extraction capacity are excluded and did not release a transition plan consistent with the SG exit targets.	

Annex 7 - Thresholds and exclusion criteria for the 17 insurance entities surveyed

Insurance Group	Existence of a public coal policy	Communication on a total end date of the net coal financing	Data base used	Exclusion thresholds for coal policies				Criteria for exclusion from coal policies	Other
				Production activities /exploration:	Electricity/energy production activities	Annual coal production	Installed capacity		
ACM	Yes	2030	GCEL	20% of the revenue	20% of the energy mix	10Mt	5 GW	Exclusion of any infrastructure in the thermal coal value chain; Exclusion of new coal-fired plants	
AG2R	Yes	2030	GCEL	25% of the revenue	25% of the energy mix (2018: 30 percent of energy mix)	10Mt	10 GW	Total exclusion from developers	5% reduction of these thresholds every two years
Allianz	Yes	2040	MSCI, 2 dii	30% of the revenue (exceptions are possible in case of a reduction strategy for coal share)	30% of the energy mix	Absolute threshold for coal generation and (Companies whose annual coal production exceeds 10 M tonnes)	Absolute level of installed capacity (Companies whose installed power of coal plants exceeds 5000 MW)	Exclusion of developers (including an extension of 0.5 GW), coal-related infrastructures (mines, ports, railways) Since 2020: exclusion if new capacity or will be installed more than 0,3 GW	Commits to lowering the thresholds to 25% of the revenue and the energy mix from 31.12.2022

Aviva	Yes	Considers an exit in 2030	GCEL	20% of the revenue	20% of the energy mix	10 Mt	5000 MW	Exclusions from firms that develop or plan new plans for infrastructure expansion (mining or central) or capacity	
AXA	Yes	Europe/OECD: 2030 RDM: 2040	Trucost (2015-2017), then GCEL	Increased from 50% in 2015 to 30% of revenue in 2017	From 50% to 30% of the energy mix in 2017	Introduction of a 20 Mt threshold for annual production in 2017	(since 2019) built-in capacity threshold of 10 GW	Exclusion of any enterprise developing more than 300 MW (0.3 GW) from new coal capacity.	
BNP Cardif	Yes	Europe/OECD: 2030 RDM: 2040	Vigeo-Eiris/Eiris GCEL (top 120 developers)	Thermal coal 10% revenue	30% of the energy mix since 2018. In 2020, 30% of the energy mix for inventory and 20% of the energy mix for new business				Progressive reduction of thresholds with a thermal coal outflow in 2030 for the OECD and 2040 for the rest of the world
CA Insurance	Yes	Europe/OECD: 2030 RDM: N/A (residual)	Various external providers (GCEL, Trucost,…), internal analyses	25% of revenue (50% in 2016, 30% in 2017, and 25% in 2018)	50% of the energy mix (since 2019)	100 M tonnes (since 2017)			
CCR	Yes	Projected exit date	Data Sustainanalytics	10% of the revenue					
CNP Insurance	Yes	Europe/OECD: 2030 RDM: 2040	GCEL, trucost	10% of revenue (since 2017, 15% in 2015 and 2016)		10 Mt	5 GW	Exclusion of all developers from new coal plants, coal mines or infrastructures contributing to the use of thermal coal	Shareholder engagement policy: request to all corporates to which CNP Insurance is live, to publish, by 2021, a thermal coal removal plan aligned with an exit by 2030 in the EU and OECD

									countries, and by 2040, in the rest of the world, based on closure instead of selling assets
COVEA[92]	Yes	Projected exit date	GCEL, ISS ESG	30% of the revenue	30% of the energy mix, except those that have made clear commitments to reduce this share below this threshold by 2025			Exclusion of top 120 GCEL coal developers	
Generali	Yes	Projected exit date	GCEL	30% of the revenue	30% of the energy mix	Up to and including 20 Mt			
Groupama	Yes	No specified horizon	GCEL	30% of the revenue	30% of the energy mix				
MACIF	Yes	2030	MSCI index, GCEL	30% of the revenue	30% of the energy mix	Up to and including 20 Mt	Installed capacity threshold 10 GW		Threshold cut from 2021 (20%/20%/10 Mt/5 GW)
MACSF	Yes	2030	GCEL	30% of the revenue	30% of the energy mix	20 Mt	10 GW	Exclusion of firms that develop new coal projects	
Natixis Insurance	Yes	No specified horizon	GCEL	25% of revenue (50% between 2015 and 2018)					
SCOR	Yes	Europe/OECD: 2030 RDM: 2040	Bloomberg and Norvegian Weatlh fund exclusion list until 2017, then GCEL	30% of revenue (50% in 2015 and 2016, and 30% in 2017-18)	30% of the energy mix				
Société Générale Assurances	Yes	Europe/OECD: 2030 RDM: 2040	MSCI Index	10% of revenue (compared with 25% in 2018)	30% of the energy mix	Over or equal to 100 Mt in 2018			

[92] The policy was reviewed and amended at the end of 2020.

Annex 8 - Coal policies of the top 20 portfolio management companies

Introduction of the threshold for the exclusion of thermal coal policies from 20 largest portfolio management companies

Portfolio management company	Type	Existence of a public coal policy	Communication on a total end date of the net coal financing	Criteria for exclusion from coal policies					Other type of exclusion
				Any sector	Mining	Energy	Energy	All sectors	
				Weight of **thermal** coal in CA (%)	Production of **thermal coal** (MT)	Coal electricity production capacity (gwatts)	Proportion of electricity produced from coal (%)	Consideration of the intent or existence of plans to exit or develop new capabilities	
AMUNDI ASSET MANAGEMENT	General practitioner	Yes		25% for mining companies, 50% for all, between 25% and 50% exclusion from corporates with no intention to decline	100 MT			Between 25% and 50% turnover in coal, with exclusions of corporates with no intention to decrease this share.	
CPR ASSET MANAGEMENT	General practitioner								
GENERAL COMPANY MANAGEMENT	General practitioner								
AXA INVESTMENT MANAGERS PARIS	General practitioner	Yes	2030 in OECD countries, 2040 in other countries [93]	30%	20 MT		30%	Electricity generation capacity expansion over 3000 MW	Coal weight in CA - all types of coal combined > 50%
AXA REIM SGP	Real estate								
OSTRUM ASSET MANAGEMENT(Ostrum policy)	General practitioner	Yes		25%					Summit coal mines in the Appalachians[94]
OSTRUM ASSET MANAGEMENT(Natixis policy)				25%					More than 15% CA in T-money[95] mines

[93] This clarification was made in the editorial of the summary of the report Article 173/TCFD published in July 2020.

[94] Corporates whose main activity is production, transportation, coal sales extracted by Mountain Top Removal in the Appalachians in the eastern United States.

[95] *The Policy coverage dedicalling of coal mines using the mountain-top-removal technique, as well as any general purpose corporate financing or any investment in companies business is quo by 15% or more on operating coal mines using such technical techniques (for the group it amending to and based on the latest released financial statements). Coverage, any reference to a 25% of revenue threshold mentioned in the Policy is by at 15% threshold of receipts in this specific case.*

NATIXIS INVESTMENT MANAGERS INTERNATIONAL	General practitioner	No[96]							
POSTAL BANK ASSET MANAGEMENT	General practitioner	Yes[97]	2030 in OECD countries, 2040 in other countries					Issuers engaged in coal-related development projects are systematically excluded	
BNP PARIBAS ASSET MANAGEMENT FRANCE	General practitioner	Yes		10% (mining)	65 MT				Carbon intensity threshold set at 491 gCO_2 /KWh in 2019 (electricity producers). This threshold will evolve over time according to the International Energy Agency's «SDS» scenario. Corporations significantly involved in the high-rise coal mines
AVIVA INVESTORS FRANCE	General practitioner	Aviva France policy[98]		20%	10 MT	5 GW	20%	Expansion of electricity generation capacity according to GCEL criteria	
LYXOR INTERNATIONAL ASSET MANAGEMENT	General practitioner	Yes	Before 2030 (firms with assets in the EU or OECD) and 2040 (rest of the world)	10% (mining)			30%		
LYXOR ASSET MANAGEMENT S.A.S	General practitioner	Yes							
GROUPAMA ASSET MANAGEMENT	General practitioner	Yes		30%			30%		
COVEA FINANCE	General practitioner	Yes		30%			30%	Covea Finance excludes from its investments energy companies, of which more than 30% of the electricity is generated from of coal (i.e. thermal coal), except those which have made clear commitments to reduce this share below that threshold by 2025. Covéa Finance will monitor through shareholder dialogue, the effectiveness of reduction in the share of coal in electricity produced at least once a year.	

[96] The policies of entities affiliated with the SGP may apply when the SGP delegates them to the financial management of its collective investments.

[97] This policy relies entirely on a qualitative analysis of issuers and not on quantitative thresholds.

[98] The policy covered is the policy here of AVIVA FRANCE, insurance undertaking, rather than AVIVA INVESTOR FRANCE.

								Consideration of development plan of new capacities: element taken in account through the Global Coal Exit List	
EUROTITRISATION	Securitisation	No							
HSBC GLOBAL ASSET MANAGEMENT	General practitioner	No							
OFI ASSET MANAGEMENT	General practitioner	Yes	Before 2030, regardless of asset class or geographical area	30%	20 MT	10 GW	30%	Development of new thermal coal projects involving the use of thermal coal regardless of the size of the project.	
CREDIT MUTUAL ASSET MANAGEMENT	General practitioner	No[99]							
SWISS LIFE ASSET MANAGERS FRANCE	General practitioner	Yes		10%					
FEDERAL FINANCE MANAGEMENT	General practitioner	Yes		30%			30%		

[99] A policy was published in September 2020.

Conditions for the implementation of thermal coal policies by the largest 20 portfolio management companies

Portfolio management company	Treatment of new investment on players above thresholds	Treatment of the stock of asset under management linked to players above thresholds?	Application of the "coal policy" to steel coal?	Treatment of issuers with coal exit plans deemed credible?	Application to part of the outstandings?	Application to part of the assets held?	Treatment of subsidiaries, shareholders or sister companies of excluded companies?
AMUNDI ASSET MANAGEMENT CPR ASSET MANAGEMENT SOCIETE GENERALE GESTION			Use of the term "coal" without specification	Also excluded: (...) all electricity and coal extraction companies with a coal-related revenue between 25% and 50% and which do not intend to reduce the percentage of income from these activities	" They are applied in all active management strategies "		
AXA INVESTMENT MANAGERS PARIS AXA REIM SGP		(...) Managers must disengage from the firms concerned during this transition period by taking into account the consequences for the portfolio in terms of market conditions, liquidity and portfolio construction[100]	Certain policy provisions do not apply only to thermal coal	A method of engagement may be decided for certain issuers	The policy shall not apply to: - index funds; fund of funds not managed by AXA IM; index funds; Hedge funds	Our climate risk policy excludes all financial instruments issued by firms that are excluded or able to meet them	Affiliates of excluded companies may also be subject to exclusion if they are entities issuing securities on behalf of an excluded company. Or if they operate in the same industry as the latter.

[100] «*This climate risk policy shall be implemented on the basis of the «obligation of means», taking into account the superior interests of the client/fund, with a transition period starting from its initial implementation for relevant funds/mandates and following periodic reviews of the exclusion lists. If compliance with these standards requires portfolio values to be assigned, the managers should disengage from the relevant firms during this transition period taking into account the consequences for the portfolio in terms of market conditions, liquidity and portfolio construction.*

OSTRUM ASSET MANAGEMENT (Ostrum policy)			Non-systematic use of “thermal coal” term		As a result of their specificities, the followings shall be excluded from the scope of application: fund of funds management, index-linked management		
OSTRUM ASSET MANAGEMENT (Natixis policy)	Any new investment in a company non-compliant will be excluded since the publication date (June 2019)	All existing investment non-compliant with the Policy will be sold at the latest two years after publication date (June 2019)	Use of “thermal coal” term	By derogation to the Policy, Ostrum exempts from the exclusion policy two identified companies of its existing investment portfolio, due to the implementation of a consistent decarbonization program.	For dedicated funds and mandated asset management, Ostrum Asset Management shall consult its clients on whether they wish to apply or not such exclusion Policy, (...) Index-linked asset management is excluded from the *scope* of application of the Policy.		
POSTAL BANK ASSET MANAGEMENT			Use of the term "coal" without specification	For issuers who have publicly committed to exit coal, commitment to align the outflow date to 2030/2040.	All open funds managed by LBPAM: Application of exclusions to 100% of open funds; Dedicated funds and mandates: Application of all or part of the exclusion policy according to investors' choice		

BNP PARIBAS ASSET MANAGEMENT FRANCE			Explicit precision that steel coal is exempted[101]	Exceptions to coal - producing companies: BNPP AM will exempt from its exclusionary policy firms that credibly undertake to reduce the share of their sales related to the extraction of thermal coal below 10% and/or their share in global thermal coal production below 1% within a period of two years from the date on which an exception has been granted. Exceptions to electricity producers: BNPP AM will exempt from its exclusion policy companies that credibly undertake to reduce their carbon intensity to a level consistent with the IEA's Paris Agreement path within two years from the date on which the exemption was granted.	This policy will apply to all open funds actively managed by BNPP AM and become the standard for dedicated mandates		
LYXOR INTERNATIONAL ASSET MANAGEMENT LYXOR ASSET MANAGEMENT S.A.S	Lyxor decided to disengage the most exposed players	These criteria are applied by the entities of the LYXOR group according to the notion of best effort and taking into account legal and business constraints.	Non-systematic use of "thermal coal" term		Lyxor does not run exclusion on the ETF exposure portfolio	Lyxor does not run exclusion on the ETF exposure portfolio	

[101] *"The new policy only applies to thermal coal. It does not concern metallurgical coal (also called coke coal), as the latter is used mainly for the production of coke intended for the steel industry, and there are only very few viable alternatives in the steel manufacturing process. By contrast, thermal coal is used mainly for the production of electricity, and there are many cleaner sources of energy than thermal coal to produce electricity. According to the IEA's World Energy Outlook 2018, thermal coal accounted for 77% of world coal production, metallurgical coal accounted for about 18% and lignite for 5%, with electricity producing about 80% of the combined demand. of coal and lignite".*

GROUPAMA ASSET MANAGEMENT		" If our findings are in line with data from the Global Coal Exit List, the value will be excluded from our exposures "," If our findings are in line with the data coming from the Global Coal Exit List, even though the firm has determined coal exit targets, but at a time horizon that is still too distant to meet a scenario 2 ° C, the value will be excluded from our equity and credit exposures. And "If our findings differ, the value will be closely monitored."	Use of "thermal coal" term	If our findings are in line with data from the Global Coal Exit List, even though the firm has determined coal exit targets, but over a horizon that is still too distant to meet a scenario 2 ° C, the value will be excluded from our equity and credit exposures. If our findings differ, the value will be monitored. In the latter two cases the company shall be informed and a dialogue established with a defined timetable. (...) In the two last cases, the company shall be informed and a dialogue established with a defined timetable.	Policy applies in principle to all portfolios managed by Groupama AM, including dedicated funds and third party mandates, unless otherwise instructed by the customer. The policy shall not apply to funds of funds composed of funds not managed by Groupama AM nor to index strategies.		
COVEA FINANCE	For its bond exposures, Covéa Finance will cease to have any new investment in the above-mentioned firms, and reserves the right to retain securities that are already invested until maturity (with a maximum	For its bond exposures, Covéa Finance[...] retains the right to retain securities that are already invested until maturity (with a maximum maturity of 2025).	Non-systematic use of "thermal coal" term	Covéa Finance also agrees to exclude from its investments: energeticists whose more than 30% of the electricity production is generated from coal (i.e. thermal coal), except those who have made clear commitments to reduce this share below that threshold by 2025. For the latter, Covéa Finance will check, in a shareholder dialogue, the reduction of the share of coal in electricity produced at least once a year.	Covéa Finance is committed to respecting this exclusion policy in all its mutual funds and mandates.	Covéa Finance is committed to adhering to this exclusion policy in all its mutual funds and corporate investment mandates.	The exclusion refers to securities issued by the company, irrespective of the other companies of the parent group (parent company, subsidiaries).

	maturity of 2025).						
OFI ASSET MANAGEMENT	If the «Green Bonds» issue by one of the GCEL companies is issued, OFI Asset Management will be able to subscribe to it		Use of “thermal coal” term	Any company not complying with the thresholds specified in OFI Asset Management's investment policy, aligned with the GCEL reference list established by the NGO Urgewald, will be excluded unless it can justify a process of alignment on a «Well-below 2 ° C» path validated by the «Science-based target » initiative. Jean-Marie Mercadal, DG Delegate Management at OFI Asset Management. For those in portfolio: " This policy is accompanied by an active engagement approach of OFI’s SRI teams to incentivise firms that develop new plans to renounce them, and those with thermal coal assets to adopt and implement phasing-out plans for their thermal coal infrastructures "adds Alain Pitous, Director of Finance.	This policy applies to all open mutual funds that are managed by OFI Asset Management and will be systematically offered to customers in the course of servicing under mandate.	If green Bonds are issued by one of the GCEL companies, OFI Asset Management will be able to subscribe.	
SWISS LIFE ASSET MANAGERS FRANCE		Custody of existing securities only for extinguishing management	Use of the term "coal" without specification				

FEDERAL FINANCE MANAGEMENT	From September 2019, across the scope described previously, Federal Finance Management prohibits new business investments	For existing investments on companies exceeding these thresholds, exposures shall be maintained on a extinctive or ceded basis according to market conditions.	Use of the term "coal" without specification		The policy shall not apply to: index funds; funds of funds (in this case, a process of progress will be carried out (measurement of exposure before making a decision); dedicated funds for which the constraints are decided by our customers (in this case, Federal will systematically propose to its customers the principles applied by this policy).		

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