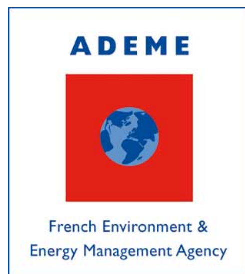
INTERNATIONAL AWARDS FOR CLIMATE-RELATED DISCLOSURES BY FINANCIAL INSTITUTIONS

EVALUATION CRITERIA

2019



GUIDELINES

CRITERIA GUIDELINES

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INTERNATIONAL AWARDS FOR CLIMATE-RELATED DISCLOSURES BY FINANCIAL INSTITUTIONS

Context and ambition

The Paris Agreement signed at the Conference of the Parties (COP) 21 in December 2015 recognized for the first time that the financial sector is a key actor to address climate change, namely in its article 2.1 c *"Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"*.

From the fossil fuels divestment campaigns from United States' endowments to the Europeans' investors pledging to exit coal, initiatives to address climate risk have proliferated over the last few years. Furthermore, an increasing number of financial institutions are committed to increasing transparency and climate action, by signing or being members of the Climate Action 100+ initiative, the Carbon Disclosure Project (CDP), the Asset Owners Disclosure Project (AODP), among others.

In July 2015, France became the first country to introduce mandatory climate-related reporting for institutional investors: reporting obligations are set out under Article 173 of France's *Law for the Energy Transition and Green Growth*. The impact of Article 173 was felt beyond France and had contributed to increasing international demand for climate-related data of companies.

In the same year, the Financial Stability Board (FSB) launched the Task Force on Climate-related Financial Disclosures (TCFD) in order to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The premise is that companies may not be accurately capturing the magnitude and implications of climate change risk in disclosures to investors and, as consequence, the latter may be doing too little too late to prepare for these risks. In its final report (June 2017), the TCFD recommended[1] that financial disclosures should include metrics on the physical and transition risks and opportunities of climate change, among others.

The TCFD drew from the work of existing voluntary and mandatory climate-related reporting frameworks, including those developed by the Carbon Disclosure Project (CDP), the Climate Disclosure Sustainability Board (CDSB), the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), Principles for Responsible Investor (PRI), and the International Integrated Reporting Council (IIRC).

Some underlying principles shared among these frameworks pointed that disclosures should represent relevant information, be specific, complete, clear, balanced and understandable. Disclosures should be consistent over time and comparable among companies within a sector, industry, or portfolio. Finally, disclosures should be reliable, verifiable, objective and be provided on a timely basis[2]

All of the above guiding principles for effective disclosures are integrated in the evaluation criteria of the awards.

The Awards aims to support financial institutions in aligning their disclosures with the above initiatives and regulations, as well as other international developments, such as the EU Action Plan on Sustainable Finance adopted in 2018.

[1] Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June, 2017)
[2] CDSB Foundational Concepts

Objective of the awards
The awards will recognize good practices in climate-related reporting of financial institutions, as well as build on the ongoing work of the European Commission (EC) and other governments and initiatives.

The 2019 Awards will support the implementation of the Taskforce on Climate-related Financial Disclosures (TCFD) Recommendations, the EU Non-Financial Reporting Directive and equivalent wider global reporting requirements and initiatives, as well as continue to support the implementation of the Article 173-VI of the Law on Energy Transition for Green Growth (LTECV) in France.

The awards are international, and not restricted to French and/or European institutions.

In addition to rewarding the best disclosures, the 2019 Awards edition has three primary goals:

1. To reinforce awareness and promote the recent developments and good practices in climate-reporting;
2. To provide the opportunity for applicants to receive feedback on their current reporting; and
3. To highlight ongoing progress in reporting, build capacity, share expertise and identify key remaining reporting challenges.

It provides a great opportunity to show case best practices, sharing common challenges and identifying climate-reporting leadership.

Judging criteria

The criteria assessment is based on four main pillars/thematic areas:

I. Climate-related integration into overall strategy, governance and engagement practices
II. Climate risk exposure assessment and risk management
III. Alignment and contribution to the Paris Agreement Goals
IV. Climate-related communication plan to clients and beneficiaries

The candidates should be able to demonstrate actions allowing to identify and quantify climate-related risk and exposure, but also to present climate-opportunities and their contribution towards a low-carbon and long-term sustainable economy.

The criteria underwent a period of public consultation from 17 April to 15 May 2019. Several responses, from different type of actors (e.g. ESG providers, asset managers, NGOs, etc.) were received with more than 70 points raised. The final version was published on 12 June 2019.

Scoring methodology. The scoring methodology is based on 4 thematic areas listed above.

- There will be 3-9 sub-criteria for each of the 4 thematic areas;
- For each criterion, a score will be attributed which is reflective of the level of maturity of the applicant e.g. 0% 33% 66% 100% or 0% 25% 50% 75%100%;
- An overall average score will be calculated for each pillar. No weighting will be applied to obtain that score. There is no overall score calculated for an applicant i.e. the presentation of results will be done by pillar (to the independent jury and as feedback to applicants)

Eligibility. The awards are international and all financial institutions from the following categories are invited to apply:

- Lenders/ Private Sector Banks (commercial, investment, universal)
- Asset owners (pension funds, endowments, sovereign wealth funds, foundations and insurance companies)
- Asset managers
- Development Banks (multilateral/regional, bilateral, national, sub-national or sub-regional)
- Central Banks

Highlighting best practices. The award ceremony will include a presentation of best-practices which will showcase the diversity of approaches and lessons learned. Main conclusions will be summarized in an accompanying report.

Award Categories. The Jury will grant:

- An award for the best disclosure for each thematic (pillar)
- An overall "Jury's Prize" will be awarded at the discretion of the jury

Awards will be granted to individual entities who apply e.g. Entity Alpha Asset Manager, which is a subsidiary of Entity Alpha Ltd., wins an award. The award will be granted to the Entity Alpha Asset Manager, not Entity Alpha Ltd.

The jury reserves the right to identify additional awards categories if required, as well as the right to decline awarding awards for any of the above categories if the overall quality is not sufficient, or there are not enough applicants in the category.

Composition of the jury. The jury of 15 to 20 members will be composed of four constituent groups.

The full list of members, selected by the Steering Committee, will be made public before the end of the submission period[3] and will be composed of members from:

- Public institutions;
- Investor coalitions and industry experts;
- NGOs and standard setters; and
- Academics.

The Jury will be selected to avoid conflict of interests and measures will be put in place where conflict may occur.

Application and deliberation process. The submission period will be announced on the website.

The Steering Committee will conduct an initial analysis of the applications and put forward an initial shortlist of candidates for the awards to the jury, who will grant the awards. The full list of submissions, initial analysis and associated reports will be made available to the jury.

Communication. The names and details of applicants will be confidential and only the names of award winners and the shortlist of nominees will be disclosed. Consolidated information will be communicated (e.g. the total number of applications, their geographical origin, the breakdown between types of institutions etc.). No information on the result of the individual analyses provided to non-winning participants, nor the name of the candidates will be made public without prior written consent.

[3]For more information about the Jury's members, please visit www.climatereportingawards.org.

EVALUATION CRITERIA GUIDELINES

This section details the criteria and sub-criteria to be used when assessing and scoring the applications. The pillars are based on key reporting requirements from international reporting standards and frameworks, including the TCFD, but are not specifically aligned to any individual framework in order to reflect the breadth of international reporting requirements.

All types of reports will be assessed as part of the evaluation; however, the assessment will highlight examples of good practice where material disclosures are clearly integrated into the narrative of the organization's annual report. For the purpose of the criteria, all reports are referred to as "the report".

The evaluation criteria assessment seeks to recognize best practices and identify financial actors which are integrating climate risks and opportunities into their investment/lending decisions.

These guidelines highlight how the scoring will be based on transparency and completeness of information regarding the work being done by each candidate in this challenging and fast evolving field. The award does not intend to evaluate the climate performance of investments themselves[4].

Marketing and pure communications exercises will not be rewarded. The quantity of information provided is not a part of evaluation per se, and assessments will be made based on the quality of information provided.

The methodology will respect the different nature and business activities of each financial institution type, in view of the myriad of assets, type of management and business units. In this sense, some sub-criteria will apply more strongly to certain financial institution types.

Following the awards, all applicants will receive individual feedback indicating the key strengths and weaknesses of their climate-related disclosures, in the most reasonable and customized approach possible.

The ambitious nature of part of the criteria aims to drive best practice as well as capture progress during following editions of the awards.

[4] The assessment will therefore not penalize any candidate demonstrating methodological shortcomings or poor results identified (so long as justifications for them are duly provided).

1. CLIMATE-RELATED INTEGRATION INTO OVERALL STRATEGY, GOVERNANCE AND ENGAGEMENT PRACTICES

Financial institutions should provide a description of the overall approach to integrating climate considerations into their investment/lending strategy and engagement practices.

This pillar will focus on climate-related disclosures regarding governance, management's role and responsibilities, as well as the integration of climate-related considerations into overall strategy, policies and operations. The criteria will be subdivided into 6 sub-criteria:

- Governance and board oversight on climate related-issues
- Management role in climate-related issues
- Integration of climate-related risks into products, mandates and services
- Integration of climate-related opportunities into products, mandates and services
- Consistency between the climate change strategy and the business objectives
- Commitment to build internal expertise

Criterion 1.1. Governance and board oversight on climate-related issues

This criterion focuses on the governance bodies' commitment to climate-related issues via the disclosure of processes demonstrating where the executive management and board are involved in climate-related decisions.

The submission discloses: (i) the executive, officer, board committee or highest governing body in the organisation responsible for defining and implementing climate strategy; (ii) how this person/entity monitors and oversees progress against goals and targets around climate risks and opportunities; (iii) the number of senior meetings or board committees per year dedicated to climate topics, and key outcomes of those meetings.	100 %
Sub-criteria (i) and (ii) are fully disclosed, but (iii) is only partially addressed.	66%
Only sub-criterion (i) is fully disclosed.	33%
No sub-criterion is fully disclosed and/or sub-criterion (i) is not disclosed.	0%

Criterion 1.2. Management role in climate-related issues

This criterion focuses on management's role in implementing climate-related policies and strategies internally.

The submission includes detailed information about: (i) management's accountability and structure regarding the management of climate-related issues, and (ii) incentives for addressing climate-related issues (e.g. remuneration policies linked to climate objectives, etc.).	100 %
Sub-criterion (i) is clearly disclosed, however the sub-criterion (ii) is only partially disclosed.	66%
Both sub-criteria are only partially disclosed.	33%
No information is disclosed.	0%

Criterion 1.3. Integration of climate-related risks into products, mandates and services

Financial institutions should describe in the most comprehensive way how climate risks considerations are integrated into product development, mandates and services - addressing both climate mitigation and climate adaptation. The assessment of this criteria is complemented by additional criteria assessed in pillars 2 and 3.

The report presents: (i) how climate-related risks are factored into product development, services or investment/lending strategies, including a description of implemented risk-assessment tools and policies, the scope of that integration (e.g. total or partial fund, business lines or type asset class), and the time horizon considered; (ii) An estimation of the breadth of coverage of the items identified under (i) across the whole organization. (e.g. a percentage coverage of services for which climate-change risks have been considered); (iii) a forward-looking assessment of climate related risks, identifying the current organisation's position, its strengths and capabilities to adapt to them. Where appropriate, (iv) the entity states that asset managers/third parties managing their funds, or client/broker selection take into account a climate change policy/ climate standards policy or equivalent framework. Where appropriate, (v) the entity describes how climate-risks are addressed through active ownership/climate-related stewardship (i.e. shareholder's voting rights and engagement policy). A complete description on this should include at least the following: -a general[5] voting policy which integrates climate-related considerations and covers a significant part of AuM (more than 50%); -external resolutions and projects of resolution around climate issues are identified (if investor was responsible of initiating resolutions); - the positions and key topics being addressed in engagement practices with investee companies are presented by sector and/or by company.	100 %
Sub-criterion (i) is fully addressed, (ii) is partially addressed, and, where applicable, at least one other is partially addressed.	66 %
No sub-criterion is fully addressed but at least one sub-criterion (including (i)) is partially addressed.	33 %
Incomplete, non-specific or no information is disclosed.	0 %

[5] Applicable to all or the large majority of shareholder' activities.

Criterion 1.4. Integration of climate-related opportunities into products, mandates and services

Financial institutions should describe in the most comprehensive way how climate opportunities, in addition to risks, are factored and integrated into existing/new products, mandates and services – addressing both climate mitigation and climate adaptation. As for Criteria 1.3. and 1.5, the assessment of this criterion is complemented by additional criteria assessed in pillars 2 and 3.

The report discloses: (i) how climate-related opportunities are factored into product development, services or investment/lending strategies, and the time horizon considered (ii) An estimation of the breadth of coverage of the items identified under (i) across the whole organization. (e.g. a percentage coverage of services for which climate-change opportunities have been considered); (iii) a forward-looking assessment of climate related opportunities, identifying the current organisation's position, its strengths and capabilities to pursue them	100 %
Sub-criteria (i) is fully addressed, and (ii) and (iii) are partially addressed.	66%
No sub-criterion is fully addressed but at least one sub-criterion (including (i)) is partially addressed.	33%
Incomplete, non-specific or no information is disclosed.	0%

Criterion 1.5. Consistency between the climate change strategy and the business objectives

This criterion focuses on the consistency between climate change strategy and overall business objectives over multiple time horizons. As for Criteria 1.3. and 1.4., the assessment of this criteria is complemented by criteria in pillars 2 and 3.

The report presents: (i) the relationship, where applicable, between climate-related goals and business objectives across the full business; (ii) forward-looking indicators used for the measurement of the achievement of objectives (e.g. indicating how stock selection processes will support capturing new opportunities in energy-efficient real estate, etc.).	100 %
Sub-criteria (i) and (ii) are fully disclosed, but only cover part of the business.	66%
Only one of the two sub-criteria is fully disclosed (e.g. the drivers described are inconsistent with approach and indicators presented, or the objectives are not clear).	33%
Neither of the sub-criteria is fully disclosed (e.g. the drivers described are inconsistent with approach and indicators presented, objectives are not clear.).	0%

Criterion 1.6. Building long-term internal expertise

A full integration of climate-related matters into overall strategy requires internal transformation, including the embedding of climate expertise and promotion of climate education across all operational teams. This criterion intends to assess the level of efforts made into building this internal capacity.

All of the sub-criteria below should be disclosed: (i) the new competences being developed or acquired internally; (ii) which teams are being covered with specific training on climate-related issues; (iii) the efforts spent on expertise in quantified and qualitative terms (e.g. hours of training provided, frequency of workshops/training, and channels of awareness and education), as well as (iv) the future internal capacity building plan (if any).	100 %
Three of the above sub-criteria are disclosed, including (i).	66%
Two of the above sub-criteria are disclosed, including (i).	33%
Only one above sub-criterion is described, or no information is provided.	0%

2. CLIMATE RISK EXPOSURE ASSESSMENT AND RISK MANAGEMENT

Since the Paris Climate Agreement, investors have been facing increasing expectations from governments, regulators and overall civil society, to manage climate risks in their portfolios.

Financial institutions are, in some jurisdictions, required to disclose to what extent their portfolios are consistent with goals to limit warming to well below 2°C, and the use of scenario analysis is a recommended best practice by the TCFD.

Under this pillar, the main focus is on risk exposure and risk management strategy, in particular transition and physical risks as identified by the TCFD. As defined by the TCFD[6], climate-related risks are categorized as follows:

Physical:

- **Acute** (e.g. risks from the increased severity of extreme weather events such as cyclones, extreme heat and floods)
- **Chronic** (e.g. risks from longer-term shift events observed such as extreme variability in weather and precipitation patterns, rising mean temperatures and rising sea levels)

Transition:

- **Policy and legal risks** (e.g. carbon tax, increasing regulation of existing high-carbon products and services, exposure to litigation, etc.)
- **Technology related risks** (e.g. changes in energy efficiency norms, new technologies, costs to transition to lower emissions technologies, etc.)
- **Market risks** (e.g. increased cost of raw materials, changing customer behavior/shift preferences, etc.)
- **Reputation risks** (e.g. shifts in consumer preferences, stigmatization of sector, increased stakeholder concerns, etc.)

Transition and physical risks are different in nature and require different methodologies and indicators. Performing both transition and physical impact scenarios is encouraged as the interplay between scenarios provides a more complete risk exposure and resilience of the assets under management. Each entity is expected to run its climate risk assessment in light of their business models, portfolio composition, customers and beneficiaries.

Disclosures to be assessed under this pillar relate to:

- The climate risk assessment, including discussion and integration of results
- Time horizon choices
- Comprehensiveness and granularity of both physical and transition risks assessments, results and indicators
- Scope of the risk analysis and underlying type of data used (by type of assets, sector/technology and/or geography)
- Plans for continuous improvement

[6] More details described in Appendix 1 (Table A1) of TCFD Report "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (June, 2017).

Criterion 2.1. Climate risks assessment

This criterion covers how financial institutions are assessing and estimating climate-related risks, how they present the results, and how they use/plan to use those results. A lack of transparency around the methods used can undermine the analysis, credibility of the results and the long-term resilience strategy. Quantitative rather than qualitative risk exposure must be provided to obtain full scores.

Description	Score
The report provides a description of the climate risk-assessment, which includes: (i) a scenario analysis against more than one climate scenario (including at least one below 2°C scenario) covering both transition and physical risks; (ii) the underlying methodology: tools, assumptions, rationale, and risk terminology/classification frameworks used (i.e. identification of the scenario used, data sources and providers); (iii) a quantified estimation of risks informed by the use of the above scenario(s), i.e. the output of the risk assessment translated in quantified metrics and variables; (iv) an analysis of the results and limitations i.e. conclusion of key findings; (v) a description of how those conclusions will impact decision-making processes, i.e. a description of the integration of those results into investment/lending strategies, asset allocation, portfolio construction, active stewardship, probability of default, etc.	100 %
Sub-criteria from (i) to (iv) are fully disclosed, but (v) is only partially addressed.	75%
Sub-criteria from (i) to (iii) are fully disclosed. However (iv) and (v) are only partially addressed.	50%
At least one of the sub-criteria is partially disclosed.	25%
No sub-criteria are disclosed.	0%

Criterion 2.2. Time horizon choices

Financial institutions should report which time horizon(s) were considered and justify its time horizon choices. Both historical and forward-looking approaches are encouraged. Institutions holding long-term assets/liabilities should investigate how their portfolios are exposed to long-term risks, for example through conducting and disclosing the results of scenario analysis out to 2040 and 2050.

Description	Score
The report includes: (i) a risk analysis based on historical and forward-looking data; (ii) results based on identified climate scenarios; the time frame is provided for different asset classes or sectors analyzed; (iii) an analysis of how the investment horizon of their assets exposes them to short, medium and long-term risks where applicable; (iv) the rationale behind those time horizon choices.	100 %
Sub-criteria (i), (ii) and (iii) are fully disclosed, but (iv) is not fully disclosed.	66%
Sub-criteria (i) and (ii) are fully disclosed but (iii) and (iv) are not fully disclosed.	33%
No sub-criteria are disclosed.	0%

Criterion 2.3. Comprehensiveness of the physical risks assessment

The following criterion will assess comprehensiveness – in terms of the number of physical risks captured in the analysis, and respective potential financial impacts.

Comprehensiveness can also be referred as the number of physical scenarios used by the financial institution when performing the risk assessment. Some open sources and tools provide useful physical scenarios[7] , i.e. mapping regions more exposed to risks from sea level rise, heat, floods, etc.

The report discloses:	100 %
The report discloses: (i) potential impacts from physical risks, with at least 2 types of physical scenarios used in the risk analysis (or a comprehensive justification if only one is provided); (ii) details of the materiality assessment conducted to assess risks, and a justification for the exclusion of any risks; and (iii) an order of magnitude, range or detailed quantification of the financial analysis from exposure to those physical risks (e.g. value of infrastructures exposed, the price of commodities, the sales in weather sensitive sectors, etc.)	100 %
Two criteria out of 3 are fully disclosed.	66%
Only one criterion out of 3 is fully disclosed.	33%
No sub-criteria are disclosed.	0%

Criterion 2.4. Granularity of the physical risks assessment

This criterion assesses the granularity of the physical risk assessment, i.e. the granularity level of the underlying data.

The underlying data used to perform the physical risk assessment is data at physical asset level, meaning geographically explicit data, issuer by issuer (e.g. exposure of each power plant or real estate property to water scarcity, etc.).	100 %
The underlying data used to perform the physical risk assessment is data at regional or sectorial level (e.g. breakdown of sales by continent, or GICS level 4 sector description).	66%
The underlying data used to perform the physical risk assessment is data at asset-class level.	33%
No clear information about the granularity of the underlying data is provided.	0%

[7] More details in TCFD Technical Supplement "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities"

Criterion 2.5. Comprehensiveness of the transition risks assessment

The following criterion will assess comprehensiveness – in terms of the number of transition risks captured in the analysis, and respective potential financial impacts.

A comprehensive risk assessment should include more than one externally-sourced climate scenario[8] , as a number of different transition-related assumptions may be included in different scenarios (e.g. policy, technologies, market forces).

The report discloses: (i) a description of the potential impacts of all material types of transition risks; (ii) details of the materiality assessment conducted to assess risks, and a justification for the exclusion of any risks; (iii) an order of magnitude, range or detailed quantification of the financial impact of the transition risks.	100 %
Two criteria out of 3 are fully disclosed.	66%
Only one criterion out of 3 is fully disclosed.	33%
No sub-criteria are disclosed.	0%

Criterion 2.6. Granularity of the transition risks assessment

This criterion assesses the granularity level of the transition risk assessment, i.e. the granularity of the underlying data.

The underlying data used to perform the transition risk assessment is data at physical asset level, meaning geographically explicit data, issuer by issuer (e.g. exposure of each power plant or real estate property to water scarcity, etc.).	100 %
The underlying data used to perform the transition risk assessment is data at regional or sectorial level (e.g. breakdown of sales by continent, or GICS level 4 sector description).	66%
The underlying data used to perform the transition risk assessment is data at asset-class level.	33%
No clear information about the granularity of the underlying data is provided, or it is at a level broader than asset-class.	0%

Criterion 2.7. Asset-class coverage for risk assessment

This criterion assesses the completeness of the risk assessment, based on the total asset-class covered versus total portfolio size. A complete analysis of risk should at least cover 50% of the total assets by financial value.

The report states that the analysis covers all relevant asset categories offering a comprehensive picture of the risk exposure (both for transition and physical risks). Exclusions are limited and duly justified.	100 %
The analysis is focused on a few asset classes, excluding other relevant asset classes. Gaps are explained, but the information does not allow to assess the overall risk exposure of the portfolios.	66%
The transition risk assessment covers only one single asset class; or the physical risk assessment is only focused on one single asset class.	33%

[8] More details in TCFD Technical Supplement "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities

Exclusions are not duly justified. However, at least one reference is provided regarding the use of some available tools or methods to assess risk exposure.	
One of the following options is observed: (i) The analysis covers a very small share of the overall investment/lending activities (less than 25%); or (ii) It is not possible to assess the % of asset classes covered by the risk assessment.	0%

Criterion 2.8. Sector coverage for risk assessment

The following sectors are among those generally accepted as climate-relevant – whether because they are carbon and GHG emissions intensive, or highly dependent of the energy sector: power, coal mining, oil and gas upstream, auto manufacturing, steel, cement, aviation, shipping, agriculture and real estate[9].

The report provides: (i) a risk assessment covering all climate-relevant sectors in their portfolios; (ii) the scope of data from companies in the universe/sector analyzed (e.g. which organizational boundaries were considered for the estimation of GHG emissions); (iii) a justification for excluding certain sectors from the analysis.	100 %
The report provides a risk assessment covering only some climate-relevant sectors and technologies. Some relevant sectors are not included but reasons for exclusion are provided.	66%
The report provides a risk assessment covering only some climate-relevant sectors. However, no justification is provided for the gap.	33%
No information regarding sector coverage is provided.	0%

Criterion 2.9. Long-term improvement plans for risk assessment and management

This criterion assesses the transparency regarding the shortcomings of their current risk assessment and management, and what the financial institution is doing/planning to do in order to improve them.

The report discloses: (i) the limitations of the approach; (ii) proposals to improve the methodology/-ies in the future (e.g. addressing lack of data, testing the introduction of new variables or metrics into risk models, etc.) and a timebound plan for them; (iii) proposals to improve risk mitigation measures; (iv) proposals to increase the scope of the risk analysis (and further risk integration)	100 %
Sub-criterion (i) is disclosed and 2 of the other 3 are fully disclosed.	66%
Sub-criterion (i) is disclosed and 1 of the other 3 is fully disclosed.	33%
Sub-criterion (i) is not disclosed (the other criteria may be disclosed fully or partially).	0%

[9] This list is not exhaustive and other sectors can be considered whenever relevant i.e. if more significant in overall composition of individual financial institution portfolios.

3. ALIGNMENT AND CONTRIBUTION TO THE PARIS AGREEMENT GOALS

Increasing the ambition of climate actions is critical to meeting the goals of the Paris Agreement.

Under this pillar, financial institutions will be assessed for the description of their alignment with a well below 2°C scenario, with a particular focus on the climate impact of actions in the real economy.

While it is recognized that, in 2019, the market's maturity on assessing alignment with the Paris Agreement continues to evolve – in line with supporting standards, tools and methodologies, the absence of comprehensive cross-industry agreement on best approaches should not prevent financial institutions from communicating and reporting on current internal efforts on these matters.

Key disclosures to be assessed under this pillar refer to:

- An assessment of alignment with the Paris Agreement
- Target setting approach and actions to achieve those targets
- Scope and comprehensiveness of the alignment assessment across asset-class, sector/technology and geography
- An overview of planned climate actions to meet targets
- The consistency of climate actions with target(s)
- Shareholder engagement practices supporting targets and objectives

Criterion 3.1. Assessment of alignment with the Paris Agreement

Financial institutions should assess the alignment of their portfolios in line with the goals of the Paris Agreement.

To obtain the maximum score, all of the following sub-criteria should be disclosed: (i) the methodology (/ies) used to assess their alignment with the goals of the Paris Agreement; (ii) the tools, providers, underlying assumptions and forward-looking data used to estimate the alignment; (iii) the results of the analysis in quantified terms; (iv) any future improvement plans for the assessment, if applicable.	100 %
Sub-criteria (i) and (ii) are fully disclosed, but only a qualitative assessment of the alignment is provided and/or sub-criteria (iv) is not addressed.	66%
Sub-criterion (i) is fully disclosed, but sub-criteria (ii) has gaps and / or only a qualitative assessment is provided for sub-criteria (iii).	33%
The report does not disclose an alignment assessment.	0%

Criterion 3.2. Target setting approach

Since COP21, climate target-setting has evolved to become an emerging concept accepted by mainstream financial institutions and governments.

Financial institutions need to develop target-setting approaches which are: a) focused on an impact in the real economy (and not just, for example, by changing the composition of a portfolio) and linked to science (e.g. through setting a Science-Based Target, though other approaches exist), b) supported by clear evidence and c) monitored and managed.

The report presents: (i) a quantified climate-related target in the real economy at portfolio level; (ii) planned climate actions to achieve those targets (i.e. forward-looking quantification highlighting the relevance of the action) with associated timebound plan and commitment to monitor progress over the years.	100%
The report presents: (i) a qualified climate-related target at portfolio level; (ii) planned climate actions to achieve those targets (i.e. forward-looking quantification highlighting the relevance of the action) with associated timebound plan and commitment to monitor progress over the years. or (i) a quantified climate-related target at portfolio level; (ii) generic planned climate actions to achieve those targets (i.e. forward-looking) with associated timebound plan and commitment to monitor progress over the years.	66%
The report discloses a qualified or quantified climate-related target at portfolio-level but no climate actions to achieve those targets.	33%
No target setting approach and methodology is discussed.	0%

Criterion 3.3. Time horizon choices

Financial institutions should report which time horizon(s) were considered and justify its time horizon choices.

The report discloses: (i) An alignment assessment coherent with the investment horizon of the assets, and based on both historical and forward-looking data; (ii) Potential mismatches between investment horizons and scenario time frame used are duly justified.	100 %
Only sub-criterion (i) is fully addressed.	66%
Sub-criterion (i) is addressed but only using historical data.	33%
No information is provided.	0%

Criterion 3.4. Asset-class coverage of the analysis

This criterion assesses the comprehensiveness of the alignment assessment, based on the total asset-class covered. A complete analysis should at least cover 50% of the total assets by financial value.

The report states that the analysis covers all relevant asset categories offering a comprehensive picture of their portfolios alignment with analysis provided for each asset category. Exclusions are limited and duly justified.	100 %
The analysis is focused on a few asset classes, excluding a significant part of their exposure. Gaps are explained; however, the information does not allow an assessment of the overall alignment of their portfolios.	66%
The alignment assessment is focused on a few asset classes, excluding a significant part of their exposure. Exclusions are not duly justified.	33%
No asset class breakdown is provided.	0%

Criterion 3.5. Sector coverage of the analysis

The following sectors are among those generally accepted as climate-relevant – whether because they are carbon and GHG emissions intensive, or highly dependent of the energy sector: power, coal mining, oil and gas upstream, auto manufacturing, steel, cement, aviation, shipping, agriculture and real estate[10].

The report provides: (i) an alignment assessment covering all climate-relevant sectors in their portfolios; (ii) the scope of data from companies in the universe/sector analyzed (e.g. which organizational boundaries were considered for the estimation of GHG emissions); (iii) a justification for excluding certain sectors from the analysis.	100 %
The analysis covers only some climate-relevant sectors in their portfolio. Relevant sectors are not included but reasons for exclusion are provided.	66%
The analysis covers only some climate-relevant sectors in their portfolios. No justification is provided for the gap.	33%
No information is provided on sector-breakdown.	0%

[10] This list is not exhaustive and other sectors can be considered whenever relevant i.e. if more significant in overall composition of portfolios.

Criterion 3.6. Consistency of climate actions with the targets set

This criterion assesses the list of climate actions undertaken or planned in order to achieve the quantified target(s). Example of actions may include new portfolios allocation strategies to privilege low-carbon sectors investments, and/or low-carbon oriented stock picking, loans or debt instruments provided under environmental conditions, engagement with corporates.

This criterion assesses all type of climate-related actions, except climate stewardship. Financial institutions who hold shareholder rights are assessed in criteria 3.7.

The report includes: (i) a list of specific actions informed by the alignment and target setting exercise; (ii) information about which asset class or business activities are concerned (and how they contribute to defining climate actions in their scope of action); (iii) a timebound plan or milestones to monitor the climate actions; (iv) the forecasted impact of each action; and (v) a statement to commit to report on progress over those actions.	100 %
Sub-criteria (i) and (ii) are fully disclosed, but (iii) (iv) and (v) are only partially or not addressed.	66%
One or more sub-criteria are only partially addressed.	33%
No information on future climate actions is provided.	0%

Criterion 3.7. Shareholder practices supporting climate targets

This criterion applies only to financial institutions holding shares in companies, and therefore who have shareholder rights. Climate stewardship (including engagement and voting rights) should be documented and presented in climate-related disclosures.

The report discloses: (i) key climate topics addressed during the engagement with investee companies and corporate borrowers and voting rationales (presented by sector and/or by company); (ii) metrics and voting outcomes (e.g. number of climate-related questions asked during shareholder general meetings, number of environmental and climate-related resolutions voted); (iii) the monitoring processes in place to follow-up the outcomes of climate-related stewardship (e.g. systematic process to assess the impact of the engagement actions on the companies' decisions and plans on climate matters); (iv) escalation measures when engagement has failed, in order to reinforce effective change in corporate behaviour in line with climate goals (e.g. divest, co-/filled a new resolution, set time-bounded engagement objectives, etc.).	100%
The report describes climate-related shareholder engagement at a high level, but does not provide any detailed / quantified information linked to (ii), (iii) or (iv).	66%
The report describes climate-related shareholder engagement at a high level, but does not provide any information linked to (ii), (iii) or (iv).	33%
No information is provided.	0%

4. CLIMATE-RELATED COMMUNICATION PLAN TO CLIENTS AND BENEFICIARIES

This pillar addresses disclosures that are often not in the scope of climate-related reports. Although the climate-related section of an annual report, or a stand-alone report, constitutes in itself an important source of information and communication tool with clients and beneficiaries, this pillar relates to climate-related information embedded in products' marketing and legal documentation (e.g. funds and financial products' KID/KIID[11], and other communication material). It will also assess how financial institutions are anticipating upcoming disclosures obligations in this field.

EU financial regulatory reform calls for increasing obligations regarding the integration of non-financial consumer preferences, with consumers' protection and responsible marketing of "green products" being key priorities. In April 2019, the European Parliament[12] endorsed new rules that will strengthen the disclosure of "green" information by manufacturers of financial products and financial advisors towards end-investors.

To cope with retail investors' increasing interest in the impact of their products in the real economy[13], and institutional investors in impact investing, financial institutions will need to put efforts in addressing this quest for "impact". Among others, financial institutions will need to develop effective communication strategies to ensure that the integration of climate considerations into products and investments is understood by clients and beneficiaries. Furthermore, a commitment to communicate on the impact of those products in the real economy will become a requirement for retail investors.

Key disclosures to be assessed under this pillar refer to:

- Comprehensiveness of climate communication plan to clients and beneficiaries
- Availability and clarity of climate-related information
- Resources mobilized and plans for improvement

[11] Key Information Document (KID) and Key Investor Information Document (KIID), according to PRIIPS and UCITS regulation

[12]Voted in April, this regulatory package includes the rules on disclosures relating to sustainable investments and sustainability risks, following the political agreement achieved in March 2019: http://europa.eu/rapid/press-release_IP-19-1571_en.htm

[13] Natixis Global Asset Management survey (2017) of 7,000 respondents in 22 countries found that social and environmental objectives are an important factor for around 70% of retail investors.

Criterion 4.1. Comprehensiveness of climate communication plan to clients and beneficiaries

This criterion assesses if the climate-related communication plan and respective channels are described in a clear and detailed way.

The information provided includes: (i) a clear communication strategy to improve knowledge of relevant and material climate related-matters among different segments of clients and beneficiaries, customized according to their profiles, demands and preferences. (e.g. description of key content shared with clients and beneficiaries in context of climate integration and/or risk management); (ii) channels of communication used and frequency of actions (e.g. including internal and external channels of communication, sketches of visuals, frequency of updates, events sponsored backing climate issues etc.); (iii) an internal climate engagement plan to build climate expertise in-house and across different operational teams for relevant employees.	100 %
The communication plan regarding climate-related matters is clear, but no extensive detail about information channels or next steps is presented.	66%
Limited information is provided on the communications plan regarding climate issues.	33%
No information is provided regarding communication plan to clients and beneficiaries.	0%

Criterion 4.2. Availability and clarity of climate-related information in documents provided to clients and beneficiaries

This criterion will assess whether the information is available, and when it is, if the wording is clear enough to the specific audience of clients and beneficiaries.

The following sub-criteria are disclosed: (i) for each climate-related product, details on the methodology are communicated in a clear way to clients and beneficiaries (e.g. which climate-related standards were integrated to build the product or fund, the time horizon used to integrate climate-risks and opportunities are described); where the products offered are numerous, a sample is provided; (ii) process/mechanisms in place to ensure the target audience understands the information provided (e.g. the target group has been consulted; results and lessons learnt from this consultation are communicated, etc.). (iii) a detailed stakeholder engagement plan to support the integration of clients' and beneficiaries' expectations regarding the impact in the real economy of their investment decisions	100 %
Criterion (i) is fully addressed, but (ii) and / or (iii) are only partially addressed.	66%
All criteria are partially addressed (e.g. some products have description more detailed than others, or the report includes a general statement regarding climate-related information provided to clients and beneficiaries, but no details have been provided).	33%
No information is provided.	0%

Criterion 4.3. Resources mobilized and plans for improvement

This criterion assesses the level of internal resources mobilized and plans to improve transparency with clients and beneficiaries on climate-related information.

The following sub-criteria are disclosed: (i) internal resources mobilized on the communication and engagement actions with beneficiaries and clients on climate are described and quantified (e.g. outreach actions, number of conferences, papers, staff trained, etc.) (ii) A development plan to build on current communication and engagement actions (or, if none is seen to be required, a justification to this effect)	100 %
The following sub-criteria are disclosed: (i) A qualitative description of internal resources mobilized on the communication and engagement actions with beneficiaries and clients on climate is described (ii) A broad development plan to build on current communication and engagement actions (or, if none is seen to be required, a justification to this effect)	66%
A very broad description of internal resources mobilized on the communication and engagement actions with beneficiaries and clients on climate is described, but no information about future development plans is provided	33%
No information is provided.	0%

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For details regarding history of changes click here