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ACT STEP-BY-STEP - FINANCIAL INSTITUTION addendum

Consultation draft

Version 0.1



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0. Public consultation

This document, together with the Progress grid document, constitutes the ACT Step by step methodology adaptation proposal to financial institutions. They are together going under a public consultation process up to February 2026 28th in order to gather feedbacks from stakeholders aiming to improve their relevance and suitability for the targeted audience.

Draft

1. Introduction

The Financial sector has an indirect yet crucial role to play in the transition through channeling the financial flows necessitated by the transformation of our economic processes. Its main specificity lies in the fact that, most of the time, financial flow allocation themselves – rather than GHG inventory – are the most relevant way to capture a financial institution’s impact – whether positive or negative – on the transition.

This specific feature means that it is necessary to adapt the ACT Step-by-step methodology for Financial Institutions on some key aspects to ensure relevant and impactful transition plans are designed. Main elements of this adaptation are the following:

- There is a need to clearly distinguish the process between the **finance perimeter**, which will need to be guided by specific concepts beyond financed GHG emissions, and the **non-finance perimeter**, consisting on the “classical” GHG inventory with associated decarbonization actions.
- On the finance perimeter, the alignment of financial activities shall be designed upon the following mantra: **there is a need to finance emission reductions, rather than reduced financed emissions**. This means that:
 - o Objectives should not be so much focused on reducing aggregated financed emission indicators but rather demonstrate a fair reallocation of financial flows toward transition.
 - o To achieve this goal, the identification of activities that on one hand contribute positively to the transition and on the other hand that are not compatible with the transition / damaging to the climate will be the key, associated with relevant strategies and levers (financing target, engagement, exclusion, differentiated offer of services...)
- On the non-finance perimeter, it is recalled that financial institutions **still need to implement a reduction plan of their emissions** (schematically scopes 1, 2 and 3.1-14). While most of the time ordinarily insignificant compared to the financed emissions, they represent the due share of efforts a financial institution, as any other service company, needs to do in order to contribute to the Paris Agreement.

The adaptation work has been conducted leveraging [ACT Finance](#) methodologies on [Banking](#) and [Investing](#), and other renown standards ([SBTi FINZ](#), [GFANZ](#), [CBI](#), [UNEP-FI...](#)), as well as return of experience of some Financial Institutions that have performed already an ACT Step-by-step process with some *ad hoc* adaptations. It might be further enhanced on on-going basis based on complementary feedback and global ACT Step-by-step framework evolutions.

The overall structure of a “classic” ACT step-by-step (“ACT-S”) process remains the same in term of people involved (keeping in mind the possibility to set if needed sub-coordinators, see 2.3). In addition, the process by step is identical. **What will change the most will be the set of questions in the progress grid.**

Thus, it was decided to design this adaptation work under the form of an “Addendum” **to read in conjunction with the “classic” [ACT Step-by-step methodology](#)**. Hence, a financial institution that wants to undergo an ACT Step-by-step assessment needs to follow this “Addendum” document and complements its reading/understanding where needed by the generic ACT-S methodology.

The file package has been amended as it has been chosen to set the progress grid in **a new dedicated file** to reflect questions that are at the heart of the process structuring. This progress grid file intends to be self-sufficient to its best, the current document providing the big picture of what is expected from a financial institution’s climate strategy and what each set of questions intends to capture (see 4). The strategy toolbox is at the moment kept the same (see 5) while it is advise to adapt the use of the carbon performance toolbox (see 6).

A glossary, also integrated in the progress grid, is added to the document (see 7). We tried to the best to highlight terms covered by this glossary by setting them in **italic bold**, as it is done in the context of CSRD.

2. Global implementation aspects

2.1. Perimeter

This Addendum is applicable to Financial institutions as defined in the ACT Finance methodologies, both [investing](#) and [banking](#). To be included in the best, **a dedicated terminology has been set** (see 7). This first version of the document try to cope in a broad way with various existing profiles (e.g. Banking activities with corporate and institutional and retail profiles, Asset owner delegating investment, Asset managers) however some specificities are not fully captured yet (insurance activities, real estate, private equity) and the Financial Institution is in this case invited to adapt to the better to its reality and challenges.

2.2. Financial Institution's GHG inventory and limitations

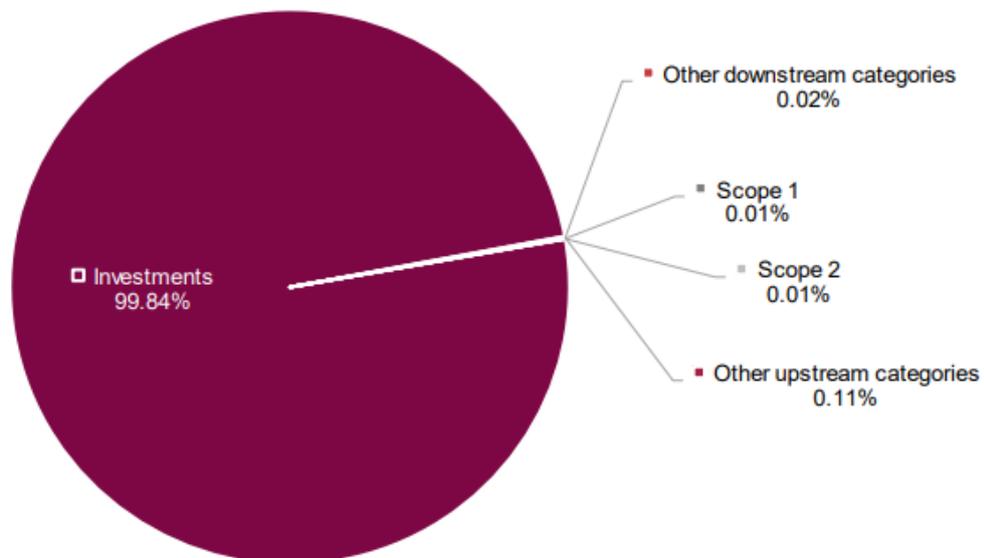
From a pure climate contribution's standpoint, a financial institution (FI) can be seen as a "service entity" which has in addition, due to its financial service activity, a specific role of catalyst of the transition of the real-economy toward a low-carbon sate.

From a GHG inventory perspective, this translates in most cases through a specific shape of the GHG inventory where:

- Scopes 1 and 2 are residuals;
- "real-economy" scope 3, meaning all scope 3 out of financing/investing activities (so categories 1 to 14 of GHG protocol) is representing a relative important share of emissions compared to scopes 1 and 2, mostly through real-estate, commuting of employees...;
- The financed and facilitated emissions linked to the portfolio of the FI are however representing the actual main part of the FI's GHG inventory, with more or less weight depending on available information and methodological choices performed by the FI in term of inventory¹, notably in light with the PCAF referential.

A study performed by the CDP illustrates this situation, aggregating scope 1+2+3 of 377 Financial institutions:

Scope 3 Categories as % Total Scope 1+2+3 Emissions - Financial Services Sector



Source: [CDP Technical Note: relevance of Scope 3 Categories by Sector](#), June 2024 version

¹ Depending on the choice to take into account or note underlying asset's scope 3, data availability, choices made or not regarding the treatment of multiple counting... A significant harmonization work has been performed by the [PCAF](#)'s referential but practices remain highly heterogeneous.

“Non-finance” scope 3 (downstream/upstream categories) is nearly 7 times greater than scopes 1+2, but investments are nearly **700 times greater** than all other emissions combined.

A first classical “real-economy” move would be to just disregard all other emissions and focus on the reduction of investment ones. However, given the specific calculation rules underlying the accounting of GHG scope 3 category 15 emissions, this is most surely not the best way to proceed for generating impact and actually contribute to Paris Agreement. Rationale for that statement is further elaborated in ACT Finance methodologies, a summary being provided here:

- Financed emission metrics are based on underlying GHG data produced by companies with various methodologies and discussable reliability. They are aggregated through necessary arbitrary rules that are highly sensitive to purely non-climate effects, such as for instance market variations or inflation, and embed multiple counting issues (for instance scope 3 of a company being the scope 1 of another in the same portfolio).
- Therefore, the metric calculated is hardly meaningful from a physical standpoint. Additionally, due to these various effects, it is quite easy to reduce significantly the financed emission metric with low modifications to the financial portfolio itself, and thus no impact on real-world GHG emissions. This possible disconnection between actual emissions and financed emissions (“*paper decarbonization*”) make necessary to develop a strategy that is not based only on the GHG inventory.

2.3. Financial Institution’s organisation for conducting ACT-S

The overall structure of a “classic” ACT step-by-step (“ACT-S”) process remains the same, meaning that there is a need to have (i) a sponsor and (ii) a coordinator within the company.

Given the fact that non finance and finance perimeters are highly heterogeneous by nature, involving different teams and decision process, it is advised that, proportionate to the size of the structure, **sub-coordinators are set**, one in charge of each sub-perimeter (finance/non-finance). The coordinator can also be specifically in charge of one of the sub-perimeter.

2.4. What is expected from a financial institution?

The underlying logic of impact of the role of Finance in the transition is that the sector shall provide the real economy companies the investments they need in order to decarbonate their processes. It shall also stop providing finance capacities and services for companies and activities that are not transitioning / are incompatible with the scientific consensus of what needs to be done to reach carbon neutrality as a sufficient pace to limit global warming. Therefore, finance services are expected mainly **ahead** of the actual shrink of the GHG emissions.

The steering of the transition itself lies in the allocation of financial flows and services, and this allocation needs to be based on **an analysis of what the economic operator that receives the financial flow/service intends to do**. This means that the assessment of the credibility and soundness of the transition plan of financed companies, or the “greenness” of the project / asset financed (e.g. real estate or a car for a retail borrower) should be **the leading indicator** of a financial institution climate strategy, GHG measurement being **a lagging indicator** checking *ex post* the actual decrease of emissions of companies the Financial Institution has chosen to invest in.

Due to these specific features, one can divide a financial institution’s transition plan in two main pieces:

- First a “non-finance” piece where the Financial Institution will do its best to reduce its “classical” GHG inventory: scopes 1, 2, and scope 3 out of financing/investment (ie out of scope 3 category 15). While most of the time ordinally insignificant compared to the financed emissions, they represent the due share of efforts a financial institution, as any other service company, needs to do in order to contribute to the reduction of GHG emissions in its own value chain.

- And second, for finance activities, a specific process needs to be set², designed upon the following mantra: **FIs are expected to finance emission reductions, rather than reduced financed emissions**. This means that:
 - o ACT Step-by-step will accompany FIs specifically in their journey to develop on one hand activities that contribute positively to the transition (**climate positive finance**) and phase out on the other hand those that are not compatible with the transition / damaging to the climate (**climate negative finance**). The monitoring metric, at least at an aggregate level, will not necessarily or preferably be based on GHG emissions (whether actual, or avoided, or expected reductions) but rather on the identification of the share of portfolio that is “low-carbon / in transition”) and on the contrary the share of portfolio that is not-transitioning/incompatible with a low-carbon economy.
 - o GHG emission indicators, under various adapted forms (physical intensity, absolute...) are kept as a useful indicator to spot *ex ante* the main asset and activity in question and check *ex post* the decreasing trend.

The first piece of the transitioning process has nothing specific with regard to financial activity. The second piece is very specific: this is the part where main adaptations, detailed hereafter, are brought to the classical process.

2.5. Risk vs. impact articulation and how it will help FIs with regulations

Most financial institutions have a fiduciary duty with regards to investors and savers: they cannot or hardly significantly deviate from a global risk/reward market equilibrium. This means ultimately that these financial institutions cannot escape financing the world as it is, and therefore currently a world that is not transitioning enough, or not at all. ACT-S Finance methodology acknowledges this statement, and financial institutions cannot be held 100% accountable for the behavior of the underlying economy. However, what can be done and expected is that:

- Financial Institutions are **lucid**, by accurately capturing risk and impacts of their portfolio. This will be especially of importance as ultimately negative impacts will translate in long term risks;
- Financial institutions explore rigorously all the options they have to manage their activities. **The ACT-S Finance Progress grid and its questions are not designed to reach perfection**: their aim is to trigger reflections within the Financial Institutions and to provide ideas of what can be done. Ultimately, it is up to the financial institution to appropriate the process and build its own climate strategy.
- The Financial Institution’s climate strategy should mitigate to the best its negative impacts by, where having no choice, selecting the “less bad” situation, e.g. through a best in class of non-transitioning economic agent associated with an engagement framework comprising a clear agenda;
- Financial Institutions should **communicate fairly**, notably toward their clients, on their strategy, in a proportionate way to the sustainable quality of the strategy, explaining where needed the unavoidable limitations of the strategy and of their power of influence.

Through various regulatory requirements, many Financial institutions, particularly in France and Europe, have already to take into account climate aspects³. Most of these requirements take a “Risk” perspective, meaning that the focus is put on ensuring Financial Institution don’t lose money (and money of their investors) because of climate change. It is however specified that Financial institutions needs to take into account the global need of transitioning of the overall economy⁴.

² Insurance activities are at the moment not yet explicitly incorporated in the progress grid. It is likely that an insurer, and particularly a non-life insurer, should set **three** transition process stream: one for own operations (non finance), one for investing activities (finance) and the latter for insurance activities, possibly itself sub-divided by businesses (health, damage...). Broad concepts used for this adaptation of ACT-S to finance can be used as an inspiration for the insurance part, by the time dedicated questions are developed.

³ E.g. in France with the “[Article 29 LEC](#)” referential which request information on both climate strategy and climate risk management, in Europe [CRD6/Solvency II](#) requirement for managing ESG risks and setting a “prudential” transition plan (complemented in the banking regulation by the [EBA guidelines on ESG risks](#)), CSRD for disclosing it and CS3D to ensure through best effort that it is compatible with Paris Agreement and translate in actions.

⁴ For banks, see Art. 87a 5(b) of [CRD6](#): “the content of plans to be prepared [...] shall include specific timelines and intermediate quantifiable targets and milestones, in order to monitor and address the financial risks arising from ESG factors, including those arising from the process of adjustment and from transition trends in the context of the relevant Union and Member States regulatory objectives and legal acts [...], in particular the objective to achieve climate neutrality, as well as, where relevant for internationally active institutions, third-country legal and regulatory objectives”.

Therefore, ACT Step-by step process adapted to Financial Institutions **can help FIs to address such regulatory requirements**, switching the perspective from a “tick-the-box” compliance exercise to a structuring exercise valorizing the process developed at the FI level, base notably on abovementioned principles. Performing an ACT Step-by-step process will handle both risk and impact aspects:

- Ensuring the reflection leads to a positive contribution of the financial activity to the transition or at least a minimization of the negative contribution;
- And checking meanwhile that by doing so risks are well managed.

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3. Overview of the ACT-S Finance process

A Financial Institution doing an ACT Step-by-Step will perform an ACT Step-by-step both on its “non-finance” and “finance” activities. Whereas different teams are expected to be involved in this process, it is requested to keep a single project sponsor / coordinator for the whole project (see 5.2.1 of ACT-S methodology), and highly recommended to keep some consistency in the global conduct of the project notably through validation phases, in order to ensure that one aspect is not neglected or deriving.

The global process of ACT-S Finance remains the same than for the “classic” ACT-S, meaning steps and levels are kept the same. Main adaptations are:

- The introduction of a new dimension on the **perimeter**: questions of the progress grid are divided between questions relevant only for the **finance perimeter**, questions relevant for the **non-finance perimeter**, and questions relevant for both. This should help the institution to spot the relevant resources to address the process and avoid ambiguity in some questions.
- On metric and targets: the methodology switch from a pure GHG-focused vision toward more meaningful metrics for the financial activities, aiming at identifying “climate positive” and “climate negative” finance: categorization of companies / project / assets in portfolio regarding their climate-alignment, and associated share of portfolio/targets, complemented by relevant GHG metric and targets, expressed in absolute and / or in intensity.

The following parts will detail the adaptations made throughout the resources:

- progress grid;
- strategy toolbox
- Carbon performance toolbox and in a broader way how to cope with GHG target setting on both finance and non-finance perimeters.

4. Progress grid

A dedicated file has been setup to reflect the ACT-S Finance progresses, leveraging on the “classic” ACT-S progress grid while adapting to finance specificities. While rationale remain globally the same, main changes are the following:

- questions are sorted by perimeter (finance/non finance/both);
- guidelines/rationales are provided alongside some questions to provide more backgrounds of what is expected.

The organisation of the file, recalled in the sheet “Read_me”, is the following:

- The 0. “Setup” needs firstly to be filled. It contains dedicated questions on the financial institution profil that will allow the activation/desactivation of some questions (eg indicate that there is a corporate and institutional portfolio will trigger questions regarding transition plan assessment framework, whereas indicating there are retail investors will add a specific set of questions regarding the engagement of this target);
- An initial diagnosis needs to be performed. For the sake of clarity, it has been divided in three different sheets, one for each perimeter: Finance, Non Finance and Both.

Questions of the progress grid are associated to a given module. As ACT Finance was initially designed by rethinking “real-economy” ACT assessment modules, there was initially kind of an overlap in module names when performing an ACT-S process on both finance and non-finance perimeter. For the sake of clarity, the structure has been slightly adapted, the same module number sometimes corresponding to different perimeters, as described in the table below.

Module	Non Finance perimeter	Finance perimeter	Comment
0	Foundations		Key questions on identification of key metrics, low carbon vision and board involvement.
1	GHG targets	GHG and non GHG targets (financing, engagement)	Targets go broader than GHG for Finance.
2	Non finance emissions (Scope 1+2+ non Finance 3 + suppliers)	NA	Compared to classical ACT-S structure it has been chosen to regroup within module 2 all elements related to the non finance emissions: scopes 1+2 and 3 as well as questions related to suppliers (upstream value chain engagement)
3	NA	Climate capabilities	Focus on training, skills, processes... required for the implementation of the climate strategy
4	NA	Climate portfolio performance	As in ACT Finance, the module focus on the alignment of finance activities.
5	Management		Questions are declined to each perimeter: Finance, Non Finance and both.
6	NA	Upstream money engagement	Focus will be made on the engagement of investors.
7	NA	Downstream money engagement	It is not considered clients outside the finance perimeter.
8	Policy engagement and public claims		This module is handled mostly in a transversal way, even if focus is expected on the finance perimeter.
9	NA	Business model	Topic is not considered outside the finance perimeter.

Each following part provides by module the global vision of what is expected. This translates in the progress grid by a set of questions disseminated through the different steps of the methodology. Where relevant, each module is divided by perimeter to reflect their heterogeneity. Where relevant rationale for retaining/disregarding the initial set of “classical” questions in ACT-S is provided.

4.0. Module 0: foundations

Purpose:

This module sets the “foundations” of the ACT process, notably:

- the quality of GHG inventory performed,
- the identification of relevant metrics and reference transition scenarios to steer the climate strategy,
- the implementation work done and foreseen for the integration of the climate in the company’s strategy, encompassing board involvement and development of a low carbon vision of the company.

What is expected from a financial institution?

Regarding this module, it is broadly expected from a financial institution:

- on the non-finance perimeter, that it has adequately measured its GHG inventory and identify relevant decarbonization paths to set and implement decarbonization strategy;
- on the finance perimeter that it has built the metrics allowing to identify **climate positive** and **climate negative finance** across its activities, that is the basis of the expected climate strategy that intends to expand the latter and phase out the former;
- in a transversal way that its strategy and action plan integrate climate aspects and is endorsed by its board.

What has been done in terms of question set?

Questions of this module were explicitly split among perimeters:

- GHG inventory questions were divided between non finance and finance perimeters as financed emissions bear their own challenges and complexity and might not be always the right or only metric to steer the climate strategy of the financial institution;
- In addition, dedicated complementary questions were set regarding the metrics to be used on the finance perimeter, especially on the corporate portfolio where relevant, to highlight the relevance and necessity of being able to assess company’s transition plan assessment and climate positiveness of assets financed.
- Transversal questions regarding strategy and board endorsement were kept as they were from the classical ACT-S.

4.1. Module 1: GHG and non GHG targets

Purpose:

This module helps the financial institution structure the targets and objectives that will guide its action and support its climate strategy. Due to the different natures of requirements for finance and non-finance, a split between perimeter was needed.

What is expected from a financial institution?

Regarding this module, it is broadly expected from a financial institution:

- on the non-finance perimeter, that it has set ambitious targets both near and long term on all the relevant perimeters (scopes 1, 2, and 3 out of finance, downstream and upstream);
- on the finance perimeter:
 - o set ambitious and well-designed GHG targets. Ideal is to set targets at sectoral granularity, in physical intensity or absolute, covering relevant hotspot of the portfolio from GHG and financial perspective. More importantly, these targets should be monitored through an attribution process allowing to isolate parasite elements (methodology, coverage, perimeter, EVIC or price variability...).
 - o set relevant non-GHG targets regarding exclusions, engagement and financing
- on a transversal way ensure that past and current targets are overall well on track

It is in particular highlighted that **cross-sectoral** absolute target or expresses either in carbon footprint (tCO₂e/m€ invested) or carbon intensity (tCO₂e/m€ turnover) **are not recommended** in the context of finance activity as they bear low steering and interpretability power due to various issues⁵.

What has been done in terms of question set?

Questions of this module were explicitly split among perimeters:

- non finance perimeter questions were kept from the “classical” set of ACT-S. The granularity (scope 1+2, upstream scope 3 and downstream scope 3 non-finance) has been preserved but it could be justified to simplify it to adapt to the structure and materiality of the GHG inventory of the financial institution (e.g. by setting a single scope 3 target);
- finance perimeter questions cover both GHG and non GHG targets, leveraging on ACT Finance Assessment module 1 indicators. GHG target questions will focus on the design of the target in addition to the ambition. Exclusion targets will be adapted depending on activities (loan/investment vs. distribution). Engagement targets will focus on corporate while specific dedicated questions have been set for real estate financing.

4.2. Module 2: non-finance emissions

Purpose:

This module intends to cover the strategy of the company regarding the emissions of its **non-finance perimeter**, both from a quantitative and qualitative point of view. Scopes 1+2 and non-finance scope 3 are covered. It asks about the recent past trend, near term future trend and interventions and strategy about these emissions, encompassing two focuses on IT infrastructures and suppliers respectively.

What is expected from a financial institution?

An effective trend in past and near future decrease aligned with relevant benchmarks is expected, as well as identified actions on scope 3. These expectations are completed by focuses on **IT infrastructure** and supplier engagement.

Regarding the focus on the emissions related to the **IT infrastructure**, it is assumed that those emissions can represent a significant part of the “non finance” perimeter emissions due to the need of data storage and process. Depending on situations, the infrastructure can be internalized within the financial institution itself or externalized to third parties. Depending of which, GHG classification will vary (scope 1+2 vs. scope 3). However in any case the issue needs to be handled in the strategy either through planning of direct actions or engagement (e.g. selection procedure of greener service providers).

Regarding suppliers it is expected to have a strategy and actions to engage them on the most carbon intensive elements.

What has been done in terms of question set?

Questions of this module are divided between:

- Generic scope 1+2 and scope 3 questions (moved from module 4) taken over from the classical ACT-S methodology;
- New questions dedicated to the financial institution’s **IT infrastructure** in order to ensure that this source of emission is considered within the financial institution’s climate strategy
- And questions regarding suppliers that are taken over from the “classical” set of ACT-S. They are however deported from module 6 for further clarity on the perimeter of each module.

⁵ Regarding GHG issues, see notably: [Target setting and Transition Plans](#), NGFS, July 2025, Annex 2, [2024 CTH report](#), SFO, ADEME, section 3.1.4, [Scope 3 emissions](#), AEFR Debate Paper, May 2025, [Beyond Financed Emissions](#), RMI, 2025.

4.3. Module 3: climate capabilities

Purpose:

This module intends to cover **climate capabilities** aspects. This recovers human skills, Data, IT systems, methodologies and processes (eg integration of climate consideration in a loan grant process, or in investment portfolio daily management) ... that serve the implementation of the climate strategy. Concrete examples of climate capabilities can be the training of ESG analysts to transition plan assessment or of retail advisors to ESG preference and sustainable product understanding, climate data collected, methodologies developed in-house or understanding of tools and analysis provided by consultants...

It is highlighted that in the “real economy” ACT framework, this module covers rather research & development, issues that are considered less relevant for the financial sector.

One could have considered setting climate capabilities requirement in module 5 as an in-depth accompaniment of the management strategy. However, it has been chosen to set them separately to highlight better the underlying issues.

What is expected from a financial institution?

It is expected from financial institutions that they have identified the **climate capabilities** they need to support their climate strategy, and reach minimum expectations depending on their profile, for instance:

- for investment/loan/facilitation, being able to categorize companies/activities from a climate point of view (transitioning, not transitioning, low carbon...) and provide information to relevant teams for concrete outputs (investment/loan policy, engagement, advise...)
- for product distribution, if any, having a categorization of products with regard to their compatibility with Paris Agreement, and having skilled retail advisors in capacity to collect ESG preference of clients and propose adapted products.

Specific focuses are made on training and **external climate provider** to ensure that these key topics (on one hand internal human skills and on the other hand dependency from external providers in term of data, rating, metrics, methodology, tools...) are adequately handled.

What has been done in terms of question set?

Questions of this module are looking at current climate capabilities and strategy and action intended to make them progress. In addition:

- A specific question has been set regarding the climate training, dividing requirements between generic staff requirements and detailed **climate relevant staff** specific requirements.
- Questions regarding the way the financial institution consider its **external climate providers** and ensure it understands and uses correctly what they provide are added.

4.4. Module 4: portfolio climate performance

Purpose:

This module intends to guide the financial institution on how to set an impactful and useful strategy of its portfolio / financial services alignment.

What is expected from a financial institution?

It is expected from financial institutions that:

- they have set good quality frameworks to identify both **climate positive** and **climate negative finance** in their activities.
- and that their strategy and actions lead to increase the climate positive finance and decrease the climate negative finance.

For financial institutions with corporate portfolio, the framework shall rely on a strong assessment of company's transition plan / on the ability to recognize low carbon companies and projects.

- Dedicated resources leveraging on the [ATP-CoI](#) consensual work provides insight on what should be a relevant transition plan assessment methodology:

Theme	Expectation	Needed underlying company data	Tier
GHG Inventory	Completeness and accuracy of the inventory.	GHG inventory detailed by category. Methodologies and justification of non-covered areas.	Tier 1
GHG Targets	Significant coverage of GHG emissions by aligned targets through time with limited reliance on carbon compensation (<10%).	GHG target overview and details: perimeter, ambition, temporality, monitoring.	Tier 1
Decarbonisation levers and mitigation actions	Targets are substantiated by an action plan with key understanding elements: identification of decarbonization levers, financial means, expected GHG emission reduction, locked-in emissions	Overview and details on main actions contemplated.	Tier 2
Engagement strategy - value chain	Company has set up an impactful engagement process with its carbon-intensive value chain.	Where value chain is GHG intensive, engagement policy and activities of the chain value detailing perimeter and requests/incentive made.	Tier 3
Engagement strategy - public policies	Company's lobbying activity is consistent with transition plan.	Disclosure lobbying climate topics and positions. Can be checked with 3rd party data (eg controversies, NGO monitoring)	Tier 3
Governance	Transition planning is clearly embedded within the company's governance, with a long-term business model overview.	Governance organisation regarding climate change, MRV	Tier 1
		Company's reflection on its business model alignment.	Tier 3
External dependencies	The company provides feedback on what it needs from others to implement its transition plan so that public policies and stakeholders can act to secure the landscape.	Identification of the main external dependencies of the company's transition plan.	Tier 2

- Low carbon companies and project recognition should rely on scientifically based taxonomical referential or reputable standards such as EU GBS or CBI.

Regarding use of proceeds instruments, such as green bonds, there should be, beyond the quality of the project financed a check the global alignment of the issuer. In fact, having a globally **climate damaging company** issuing a small green bond (eg a Oil&Gas major issuing 100m€ for a solar wind project) might just free this company financial capacity to perform further climate-damaging projects.

For financial institutions producing or distributing financial products, there should be a classification of **climate negative** and **climate positive financial products**.

What has been done in terms of question set?

Questions of this module are taking step by step:

- First guide the financial institution to set climate positive and climate negative finance frameworks, with specific questions for financial institutions with corporate portfolio or distribution of financial products, and a generic one as backup to cover any other case. This is why the terms have been chosen broad and the associated progress grid is also expressed in broad term.
- And then have a look at
 - o On one hand climate negative finance: what is the current situation, what are my strategy and actions to decrease it?
 - o On the other hand climate positive finance: what is the current situation, what are my strategy and actions to decrease it?

4.5. Module 5: management

Purpose:

This module intends to cover management aspects of the climate strategy. This module covers also risk framework aspect from a process efficiency point of view (the magnitude and mitigation efficiency themselves being addressed rather in module 9).

What is expected from a financial institution?

It is expected from financial institutions:

- On a transversal basis that:
 - o There is accountability and climate skills at the highest level of the organisation;
 - o The management structure is incentivized on the realization of the climate strategy;
 - o The strategy is fed by relevant scenario testing and there is a global consistent MRV process.
- Those generic requirements are complemented by some specific requirements on each perimeter:
 - o On the non-finance perimeter that they have set a clear transition plan encompassing actions and KPIs at short, medium and long term;
 - o On the finance perimeter, in addition to a dedicated plan that there is a sound climate risk framework.

What has been done in terms of question set?

Questions of the “classical” ACT-S have been taken over and adapted where needed to relief possible ambiguities regarding their application to a financial institution.

The existence of a transition plan has been divided between the finance and non finance perimeter. Although it is possible to get a single document covering both aspects, the underlying requirements are different and there should be no ambiguity between both perimeters in the formalization of the financial institution’s strategy.

Inspired by ACT Finance Assessment, a dedicated question on the climate risk framework quality of the financial institution has been set as risk management is at the heart of the functioning of most financial institutions.

4.6. Module 6: Upstream money engagement

Purpose:

The module will cover the **upstream money** engagement, this terminology covering various aspects depending on the profile and activities of the financial institution (see 7). It intends broadly to cover savers and retail investors, or asset owner if you are an asset manager

Module covers also people who are bringing the money to your structure directly (shareholders and lenders).

What is expected from a financial institution?

It is expected from financial institutions:

- Regarding shareholders and lenders:
 - o Ensure they are on-boarded within the climate strategy (e.g. through putting a Say on Climate resolution at the shareholder assembly)
- On the finance perimeter:
 - o Ensure investors/upstream money have knowledge, tools and incentivization to direct their flows toward climate positive finance and strive away from climate negative finance. This can go through various levers (information, referencing/dereferencing, bonus/malus system depending on products).

What has been done in terms of question set?

New questions on strategy and actions have been set for shareholders and lenders. Furthermore, while a focus specific set of questions have been created for the case of investors (and notably retail investors), 2 generic questions regarding “upstream money” engagement have been set to cover various other cases.

Note on retail clients

For a retail bank, it is highlighted that the same client can be both an investor and a borrower, meaning it is both to be engaged through modules 6 or 7. This can translate if more efficient into a single strategy but this should not prevent the financial institution to embark aspects requested from both modules 6 and 7 of the methodology.

4.7. Module 7: downstream money engagement

Purpose:

The module focusses on finance perimeter and covers the **downstream money** engagement, this terminology covering various aspects depending on the profile and activities of the financial institution (see 7). It intends broadly to cover financed companies and borrowers, or asset managers if you are an asset owner.

What is expected from a financial institution?

It is expected from financial institutions to set a meaningful and impactful engagement process, relevant for each kind of target, companies, retail borrowers and asset managers being the most relevant identified, depending on the financial institution profile. Adapted to each of these targets, the engagement framework shall cover the following dimensions:

- o Prioritization: better have an in-depth engagement process on few targeted entities/products than a systematic superficial coverage. The financial institution should focus on the most sensitive points of its portfolio (top 20 polluting companies, most polluting financed assets in real estate...)
- o Meaningful requirements / Objectives: the financial institution is able to set clear and relevant objectives to its target, taking into account their maturity (for instance for companies ask a GHG inventory as a first step for a small non-climate sensitive company and a certified credible and ambitious transition plan for a large corporate in a climate-emitting sector).
- o Effective levers: the financial institution has a clear and systematic process encompassing either positive/negative incentives toward the target, depending on how they address requirements. In case of negative outcome, an escalation process is set going up to exclusion, with clear timelines and criteria. Potential flexibility is clearly framed, limited and motivated. Regarding retail borrowers, just transition considerations shall be taken into account.

For engagement toward companies, all business relationships in fossil fuel sectors should be conditioned to an engagement process requesting companies to set and have started to implement a credible transition / phase-out plan by 2030, failure to deliver leading to exclusion.

For engagement toward asset managers, asset owners should make sure that asset managers apply this same condition in their own engagement process, meaning make sure that the asset manager conditions their business relationship in fossil fuel sectors to the setting and implementation of a credible transition / phase-out plan by 2030, failure to deliver leading to exclusion.

For engagement toward retail borrowers, there should be a combination of financial incentives for loans destined to finance high-emitting asset (typically real-estate or car) and support for GHG reductions (e.g. renovation, switch of technological solutions). Structuration of an offer “all inclusive” including in addition to the loan a guarantee (insurance) of a given energy/GHG performance level can be a game changer.

What has been done in terms of question set?

Questions have been split depending on the target: companies, retail, financial product manufacturers, asset managers (and more broadly any **downstream financial institution**). A specific set of dedicated questions has been built regarding real estate portfolio (strategy, data collection, incentives, dedicated offers and assistance on renovation).

Note on retail clients

For a retail bank, it is highlighted that the same client can be both an investor and a borrower, meaning it is both to be engaged through modules 6 or 7. This can translate if more efficient into a single strategy but this should not prevent the financial institution to embark aspects requested from both modules 6 and 7 of the methodology.

4.8. Module 8: public policy engagement

Purpose:

The module intends to cover the lobbying activity of the financial institution toward public authorities and public policies, and more globally the society. This covers broadly both finance and non-finance perimeters in a transversal way, although it is expected that the first one will take the most part of the reflection. A specific and innovative question on the public claims has been set on the finance perimeter.

What is expected from a financial institution?

It is expected from financial institutions to ensure a global consistency between its climate strategy and its lobbying activities, which can go notably through a monitoring of the climate positions of the professional associations it adhere to and where relevant contribution and sharing of best practices through these associations (eg working groups).

It is also expected, as a financial institution plays mainly an indirect role and can be limited in its contribution by its fiduciary duty, that the financial institution makes accurate claims with regards to clients and society and, through a fair and non-misleading communication, don't contribute to greenwashing.

What has been done in terms of question set?

Questions have been mostly taken over from the “classical” ACT-S set without a big need for adaptation to the financial sector.

One specific additional question has been set regarding the communication of the financial institution with regard to its climate contribution.

4.9. Module 9: business model

Purpose:

The module covers the business model reflection of the financial institution, through the description of its Impact, Risk and Opportunity (IRO) profile. It covers mainly the finance perimeter although some generic questions can be applicable in a transversal way in case relevant non finance perimeter elements rose.

What is expected from a financial institution?

At first sight, it is not expected, like in some other sectors (fossil fuel, car manufacturing) a fundamental re-thinking of the business model. Rather it is asked to consider the current and upcoming revenue exposure of the financial institution to climate positive and climate negative finance, with the objective to capture opportunities and manage risks, expanding the first and reducing the second.

To this extent, there is a difference of perspective with module 4, where what matters is the allocation of financial flows themselves whereas, under module 9, the perspective will be on the added value for the financial institution. This can be illustrated by the theoretical example below:

Deal	Financial flows	Revenue	Ratio positive/climate negative financial perspective	Ratio positive/climate negative revenue perspective
Loan in a climate solution with a 1% RoI.	100m€	1m€	100%	20%
5% fees on a debt issuance of a non-transitioning oil company	100m€	5m€		

In this example, the financial institution allocate evenly flows between climate positive and climate negative finance (module 4) but it is way much more dependent on climate negative finance from a business point of view (module 9).

What has been done in terms of question set?

Generic questions cover the integration of climate IRO analysis in the activities of the financial institution, the integration of climate criteria in capital allocation decisions and balance sheet management, and if the financial institution implements innovative transformative measures to facilitate the **climate positive financial reallocation**.

On the finance perimeter, questions are structured under a double-materiality perspective:

- Impact (positive or negative, through climate positive and climate negative finance)
- Risk (through risk and opportunities).

As for module 4, questions ask what is the current situation, strategy and actions toward climate positive and climate negative finance, but under a revenue and business model perspective.

In addition, questions ask:

- what is the climate risk level and how it is managed. These questions cover magnitude of the risk and how it is handled whereas the dedicated question in module 5 covers rather the risk framework efficiency itself.
- what are the opportunities and how they are seized.

In order to provide a broad climate IRO profile of the Financial Institution.

A synthetic view of the Climate IRO profile of the financial institution is provided in the “Overview” sheets of the progress grid file:

Climate IRO initial profile					
Score	Negative impact	Positive impact	Risk	Opportunities	Global

Position	Low-carbon transition aligned	Advanced	Next practice	Next practice	Next practice
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The "global" score is calculated through an averaging of the four dimensions (negative and positive climate impact, risk and opportunities) respecting the rules detailed below. Those rules are designed in order to avoid illegitimate compensation effects and ensure that the focus is made on what matters the most: coping primarily with climate negative impact while not putting itself in danger through bad climate risk management.

1. If negative impact or risk score "basic", the global score is "basic"
2. If negative impact is "standard", the global score cannot be greater than "standard"
3. It is not possible to have a best score than the maximum between negative and positive impact scores
4. It is not possible to have a score 2 grades higher than negative or positive impact score
5. It is not possible to have a score 3 grades higher than opportunities or risk score
6. To be low carbon aligned, negative impact score needs to be low carbon aligned

5. Carbon strategy toolbox

It is not intended at the moment to adapt the carbon strategy toolbox, although it could be considered to update it more within an Impact, Risk and Opportunities (IRO) CSRD-compliant perspective. More feedbacks and return of experiences will help determine whether a specific adaptation to financial institutions is needed regarding this resource.

6. GHG target setting - carbon performance toolbox

The carbon performance toolbox was initially designed for non-finance companies. **It is currently under review.** It is therefore not necessary for Financial Institutions to necessarily use it. Below are provided guidelines on how to handle GHG target aspects during the ACT-S Finance process.

It is expected that the financial institution:

- On one hand, frame its decarbonization efforts through GHG targets expressed in absolute on its scopes 1, 2 and non-finance 3. To do so, a dedicated helping tool has been initiated in the ACT-S Finance progress grid file.
- On the other hand, to set ambitious sectoral GHG targets, if any, on the finance perimeter. Here, among other resources such as the [Target Setting Tool](#) of SBTi, the list of benchmarks presented in the "*Benchmark compilation*" sheet of the carbon performance toolbox can help the financial institution set relevant targets.

6.1. Non-finance perimeter

As Financial institutions are service companies, they **should focus on absolute targets.** The financial institution should design the granularity of its targets (separated or aggregated scope 1, 2, upstream and downstream 3 targets) depending on materiality aspects and identified levers.

The last relevant benchmark for setting absolute targets can be extracted from the [SBTi CNZ 2.0](#) referential (see table F.1, p. 123 of [the draft](#)).

Table F.1. Summary of the updated cross-sector pathway for key GHG emissions from energy and industrial processes. Note that the pathway only reflects reductions in energy and industrial process emissions and does not include reductions in emissions from FLAG. Companies with significant FLAG emissions are required to set targets using the dedicated FLAG pathway (SBTi, 2022).

Greenhouse gas	2020 - 2030 (%)	2020 - 2035 (%)	2020 - 2040 (%)	2020 - 2045 (%)	2020 - 2050 (%)
Gross fossil CO ₂	41 [34-43]	60 [58-65]	76 [71-81]	85 [81-90]	91 [87-95]
Fossil CH ₄	61 [45-68]	68 [56-79]	71 [63-79]	76 [67-84]	80 [69-82]
Fossil N ₂ O	34 [-2-49]	46 [15-57]	50 [21-62]	57 [24-68]	61 [27-70]
Hydrofluorocarbons (HFCs)	80 [44-80]	86 [43-86]	92 [47-92]	91 [54-91]	91 [61-91]
Perfluorocarbons (PFCs)	73 [70-75]	77 [77-77]	81 [81-81]	84 [84-85]	87 [87-88]
SF ₆	60 [46-60]	62 [44-62]	64 [41-64]	67 [42-67]	69 [38-70]
CO ₂ e (all gasses combined)	45 [35-48]	62 [57-68]	75 [69-80]	84 [78-89]	89 [83-93]

Source: SBTi CNZ 2.0 referential (table F.1, p. 123 of [the draft](#))

A dedicated sheet in the ACT-S finance file has been set, “*Absolute_benchmark_generator_NF*”, in order to help calculate, given the relevant timelines, the associated needed ambition of reduction that can be applied to all the non-finance emission targets of the financial institution.

If the financial institution wants anyway to use the current carbon strategic toolbox, the following guidelines are provided:

- the sector can be set as “Generic”;
- The sheet *2A General* data might:
 - o Either not be filled at all, out of General information, unless there is a relevant non-finance activity to report and monitor from a GHG point of view;
 - o Either be filled with relevant financial services figure, but then in 2A. GHG data it shall be specified that these services are excluded from the GHG inventory boundaries.
- In *2A. GHG data*, financed emissions **shall not be considered** (neither in figures nor in calculating % of exclusion).
- As intensity metrics do not seem relevant for financial institutions on the non-finance perimeter, it is not expected that *2A. Additional data* are extensively filled.
- The *2A. Locked-in Assets* sheet can be filled with all the relevant locked-in assets the financial company can have (notably its building and vehicles). If you intend to make energy efficiency work on the building for instance, you can display two separate lines, as displayed in the example below:

Asset name	Type of building asset	Quantity	Unit	Yearly emissions factor (tCO ₂ e / Unit)	Year of commissioning	Expected lifetime (years)	Comment
Headquarter1	Bureau	100	MWh	1	2015	12	Current building
Headquarter2	Bureau	70	MWh	1	2027	30	-30% energy efficiency work expected in 2027 on the building

- The 2A. *Locked-in Sold Products* is not expected to be used
- For the 4A. *Target and benchmark* it is needed to create first an adapted benchmark, inspired by the one displayed in the *Absolute_benchmark_generator_NF* sheet of the ACT-S progress grid file.

6.2. Finance perimeter

As a recall in 4.1 and highlighted notably by NZBA standards, it is expected from Financial Institutions that they design sectoral targets in physical intensity or absolute rather than cross-sectoral targets expressed in absolute or monetary intensity.

Therefore, the Carbon performance toolbox can be used by Financial institutions “as if” they were a company from aluminium, oil&gas, cement, constructions... to set targets and compare them with the right benchmark.

Additionally, they can have a look for benchmarks using the freely accessible [Target Setting Tool](#) of SBTi.

In any case it is recalled that GHG target setting should not be the sole metric of a financial institution climate strategy given the various weaknesses of this metric in terms of portfolio steering, notably its backward-looking feature. It needs to be complemented by relevant metrics such as transitioning / low-carbon share of the portfolio and climate positive/climate negative finance identification.

7. Glossary

The present section sums up various terms and concepts used throughout the ACT-S Finance adaptation.

7.1. Terms and concepts

Term	Definition	Used notably for
Non finance perimeter	Processes and operations of the company that are outside its finance activity (eg own building, travels, procurement...). This term is used to design the part of the company that is similar to any other service company from a climate perspective and on which traditional decarbonization strategy should apply. It is monitored mainly through GHG inventory of scopes 1&2 and 3 (out of 3.15) of the GHG protocol.	All
Finance perimeter	By opposition, all elements regarding the climate perspective that are related to the finance activity: direct or indirect investment portfolio, investment services, capital market activities, loans, insurance... the concept covers the financed/facilitated emissions captured through the scope 3.15 category of the GHG protocol/PCAF protocol but can extends beyond as the GHG accounting might not be the best metric to design and steer a climate strategy on this perimeter - which is the main perimeter of interest for a finance company.	All
Non finance scope 3 GHG emissions	All scope 3 GHG emissions of the financial institution out of the GHG emissions of the finance perimeter (ie 3.15 category): purchase products, commuting, business travel...	Module 4
Material activity	Unless specified otherwise, an activity is presumed material or significant when it represents more than 10% of a relevant metric, that can be expressed either in term of monetary volume, monetary revenues, financed/facilitated GHG emissions...	All

Climate-damaging asset	High-emitting asset such as a building with a very poor energy class or a car using thermic technology that are or will become incompatible through time with aligned transition scenario.	Modules 4, 6, 7
Climate-maladapted asset	Asset that presents a significant physical risk or maladaptation risk to climate change, typically a building in a zone that will be subject to acute events due to climate change.	
Climate-damaging activities	Activities which are non-compatible with the scientific consensus of what is needed to achieve Paris Agreement objective. Typically, fossil fuel exploration or fossil fuel project expansion or exploitation of fossil fuel reserves beyond a fair share of the remaining carbon budget.	Modules 4, 6, 7
Climate-maladapted activities	Activities which are not addressing adequately the issues raised by climate change, for instance the building of giant retention basins in an area subject to high water stress and resource competition.	
Climate-damaging companies	Companies which activities are non-compatible with the scientific consensus of what is needed to achieve Paris Agreement objective. Notably fossil fuel companies not having set and start to implement a credible transition / phase-out plan by 2030 can be presumed climate-damaging companies.	Modules 4, 6, 7
Climate-maladapted companies	Companies which present significant maladaptation / risks of maladaptation to climate change, or which main part of the business consists in performing climate-maladapted activities.	Modules 4, 6, 7
Low-carbon asset	Asset such as a building with a very good energy class, an infrastructure essential for the adaptation to climate change, or a zero-emission transportation mode that are compatible with aligned transition scenario.	Modules 4, 6, 7
Low-carbon activity	An activity, for instance a climate solution, that is recognized as taxonomically aligned according to a science-based taxonomical referential (eg the EU Taxonomy), or any other relevant referential. This can be understood under a prism of either climate mitigation or climate adaptation.	Modules 4, 6, 7
Low-carbon company	A company that exercises almost only low-carbon activity and no climate-damaging activity. A >90% EU taxonomical rate with no climate-damaging or climate-maladapted activity on the remaining part can be an operational definition of such a company.	Modules 4, 6, 7
Transitioning company	A company that has a credible and robust transition plan, established as such following a sound assessment methodology. See 7.2 for further details on how to assess soundly a company's transition plan	Modules 4, 6, 7
Climate negative finance	Any financial activities toward climate damaging or maladapted assets, activities and companies: lending, investment, facilitation, manufacture and distribution of financial products, advise...	Modules 4, 6, 7
Climate positive finance	Any financial activities toward transitioning / low carbon assets, activities and companies: lending, investment, facilitation, manufacture and distribution of financial products, advise...	Modules 4, 6, 7
Climate negative financial product	Financial product (possibly or effectively) investing in climate damaging or maladapted assets, activities and companies	Module 7 notably
Climate positive financial product	Financial product (effectively) investing in transitioning / low carbon assets, activities and companies and not (possibly or effectively) investing in climate damaging or maladapted assets, activities and companies / climate negative products or only with an associated stringent engagement process.	Module 7 notably
Climate positive financial reallocation	Reduction of climate negative finance and increase of climate positive finance	Modules 6&7

High-emitting sectors	<p>Broadly High climate impact sectors, meaning codes NACE A to H and L of Annex I of Regulation (EC) 1893/2006.</p> <p>The company can justify another approach depending on specific business model profiles of companies in portfolio and GHG emission levels observed on the FI portfolio.</p>	Module 4 notably
IT Infrastructure	<p>IT infrastructures cover various elements: devices, cloud, software. It can cover both the Financial Institution's own operations (data center, cloud needs...) but also digital services offered to clients (investment tools, personal space, mailing...).</p> <p>It is assumed to be a key point for Financial institutions. Depending on situations, the infrastructure can be internalized within the financial institution itself or externalized to third parties. In any case the issue needs to be handled in the strategy either through planning of direct actions or engagement (e.g. selection procedure of greener service providers).</p>	Module 2
Climate capabilities	<p>Human skills, Data, IT systems, methodologies and processes (eg integration of climate consideration in a loan grant process, or in investment portfolio daily management)... that serve the implementation of the climate strategy. Concrete examples of climate capabilities can be the training of ESG analysts to transition plan assessment or of retail advisors to ESG preference and sustainable product understanding, climate data collected, methodologies developed in-house or understanding of tools and analysis provided by consultants...</p>	Module 3
Climate relevant staff	<p>Within the financial institution, staff that will have a specific role in the implementation of the climate strategy. Typically the ESG analysts that will provide and monitor climate metrics, advisors that will sell to clients financial products and need to gather their sustainable preferences, portfolio managers, risk analysts...</p>	Module 3
Climate inputs	<p>Generic term referring to any item used by the financial institution to process its climate strategy in the area of investment, risk management, engagement... it can be climate data (GHG inventory, energy mix, revenue split...), climate scores (ratings, implied temperature rise, alignment score...), climate analysis, climate engagement advises, methodology, tools...</p>	Module 3
External climate providers	<p>Generic term to cover providers of climate inputs. It can cover ESG data provider, climate consultants providing metrics, methodologies or tools... the term allows a broader interpretation than the sole ESG Rating Regulation cope in EU.</p>	Module 3
Upstream money clients	<p>Depending on the financial activity profile it can be: insured people for a life insurance, savers for a bank, investors (retail or institutional) for an asset manager, client (retail or institutional) for an investment service firm... or any broker, adviser or intermediary taking care of the interests of these people. This notion covers globally the "liability" side of the balance sheet. Another more specific term can be "clients performing investments", whether they are going through the financial institution balance sheet or not.</p>	Module 6

Downstream money clients / investees	Depending on the financial activity profile it can be: a borrower for a bank (whatever retail or company, or a broker), a client for a capital market activity (for the facilitation of issuance of equity or bonds), any issuer of the financial asset that is invested by or thanks to the service of the financial institution (whether it is a company, sovereign, project...). This notion covers globally the "asset" side of the balance sheet.	Module 7
Downstream financial institutions	Depending on the financial activity profile it can be: an asset manager managing mandate of an asset owner, the manager of a fund invested by another fund, a custodian, the bank that manages liquidities... and more broadly any financial institution providing investment services to you. This notion covers globally any financial institution that is (sub-) managing or servicing the money you're in charge of. Financial product manufacturers of product you distribute could be considered within this definition but are assigned to a dedicated question where the associated activity is material for the financial institution.	Module 7
Business model climate profile	That is the overall split of the finance activities of the financial institution taking into account both financial perspective of climate risk/opportunities and impact perspective of positive/negative climate impact. The ideal goal is to move away the financial institution from climate negative and risky businesses toward climate positive and profitable businesses, taking its due part on supporting climate positive risky business while denying itself from pursuing climate negative profitable businesses.	Module 9

7.2. Transition plan assessment minimum topics

For financial institutions with corporate and institutional activities, the climate strategy needs to leverage, as a cornerstone, on the assessment of the serviced companies' transition plans. This section explains which minimum topics should be considered to do so, leveraging notably on the [ATP-Col](#) work and ensuring data are required by the main disclosure frameworks (UK TPT, CSRD post-Omnibus...).

Theme	Expectation	Needed underlying company data	Tier
GHG Inventory	Completeness and accuracy of the inventory.	GHG inventory detailed by category. Methodologies and justification of non-covered areas.	Tier 1
GHG Targets	Significant coverage of GHG emissions by aligned targets through time with limited reliance on carbon compensation (<10%).	GHG target overview and details: perimeter, ambition, temporality, monitoring.	Tier 1
Decarbonisation levers and mitigation actions	Targets are substantiated by an action plan with key understanding elements: identification of decarbonization levers, financial means, expected GHG emission reduction, locked-in emissions	Overview and details on main actions contemplated.	Tier 2
Engagement strategy - value chain	Company has set up an impactful engagement process with its carbon-intensive value chain.	Where value chain is GHG intensive, engagement policy and activities of the chain value detailing perimeter and requests/incentive made.	Tier 3

Engagement strategy - public policies	Company's lobbying activity is consistent with transition plan.	Disclosure lobbying climate topics and positions. Can be checked with 3rd party data (eg controversies, NGO monitoring)	Tier 3
Governance	Transition planning is clearly embedded within the company's governance, with a long-term business model overview.	Governance organisation regarding climate change, MRV	Tier 1
		Company's reflection on its business model alignment.	Tier 3
External dependencies	The company provides feedback on what it needs from others to implement its transition plan so that public policies and stakeholders can act to secure the landscape.	Identification of the main external dependencies of the company's transition plan.	Tier 2

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