INTERNATIONAL AWARD ON INVESTOR CLIMATE-RELATED DISCLOSURES

EVALUATION CRITERIA

July 25th, 2016

SUMMARY

1. INTERNATIONAL AWARD ON INVESTOR CLIMATE-RELATED DISCLOSURES

Objective of the awards. On the 10th of June 2016 during the 4th edition of the COP21 Business Dialogue, the Minister of Environment, Energy and the Sea officially launched the *International Award on Investor Climate-Related Disclosures*. This launch was also reminded during the June 2016 London Climate & Business Summit. Following the spirit of the law and building up on the momentum of the COP21, the award is set as a complementary and voluntary government-led initiative, designed to foster innovation and promote existing best-practice in climate disclosure aligned with Article 173-VI of the Energy Transition for Green Growth Law.

In this context, the objective of the award's 2016 edition is threefold:

- It serves as preparation for those investors planning to showcase and/or improve their methodologies and disclosure in the next reporting cycle;
- It gives the opportunity to investors to receive feedback on their current reporting and the possibilities for improvement; and
- It has been designed in order to provide some food for thought to the various organizations (private sector working groups, investors coalitions, governments, standard organizations) involved in the development of guidance for financial institutions.

Stakeholders consultation. The public consultation of the award criteria was open from June 15th to June 30th. French and foreign institutional investors and asset managers, as well as European governments, provided their feedback and suggestions. The present introduction presents the responses to the main concerns and questions raised; feedback on specific criteria has also been taken into account in the present version of the Criteria Guidelines

Prescriptiveness of the ambition. The law and the secondary legislation of Article 173 are precise in their objectives with relation with climate-related issues[1], namely required disclosures on the assessment of i) the exposure to climate-related risks, and ii) the alignment of investor portfolios and actions with national and international climate objectives and the energy and ecological transition and their implications for investment policies and decisions.

At the same time, the secondary legislation is open to the means (focused on specific/material risks, methodological frameworks, data, models and related indicators, etc.) mobilized to implement and achieve these objectives although it seeks to provide clarity around these means. Indeed, the public policy goal is to accelerate the development of a range of robust and appropriates approaches.

In line with the spirit of the law and secondary legislation, the *evaluation criteria of the award provide guidance* on the direction to take and are open to the specific methods used to achieve the policy objectives. Thus, the assessment criteria are designed to be as specific as possible on the *objectives* but are as open as possible on the methods and metrics used in the assessment.

Ambition of the criteria. With regard to climate, Article 173 aims to promote climate-related risk assessment management through disclosure and reporting, and foster investor alignment with the 2°C goal and, more broadly, with the green growth goal. The first objective is related to what is currently explored by the FSB TCFD. The second contributes to the objective of making financial flows consistent with climate goals, in line with the Paris Agreement.

To date, the most common practices used and disclosed by investors (e.g. a single carbon intensity figure at portfolio level) supported awareness raising over the past ten years, but do not satisfy these goals moving forward. The ambition of the law is to contribute both to highlighting existing best practices and to fostering innovation.

Moreover, as the implementation process of the French law is receiving attention from other authorities and initiatives, it is critical to avoid the creation of a locked-in effect by supporting methodologies and metrics disconnected from policy goals.

Conscious of the state of the art practices, its shortcomings, and the willingness of leading investors to progress on their climate-related assessment and disclosure metrics, we have developed intentionally ambitious evaluation criteria that both reward current best practices while still providing direction for future improvement. In this regard, it is fully understood that it is challenging to obtain the highest score with even the

[1] Article 173-VI is not exclusively related to climate issues but more generally deals with the reporting of how ESG issues are taken into account in investment policies and decisions.

best existing practices. However, we expect that as the market evolves to respond to the law's innovative requirements, a full score will be achievable in future iterations of the award.

Given these limitations, and as expressed in the award bylaws, submission by interested candidates *covering only a part of its total assets under management* are accepted. The consultation did not reveal flaws in the understanding of the direction that is reflected in the criteria. The wording of some criteria have been fine-tuned, but the level of ambition remains unchanged after the consultation.

Timeline and timing. The main concern expressed by investors during the consultation relates to the short timeframe for developing the report (i.e. before Mid-October 2016) and the timing of the award, which takes place before the official implementation period of the French Law and in-between two reporting cycles. While acknowledging this capacity-related concern, we consider that the technical work required for the quantitative assessment is manageable within this timeframe:

- The analysis of portfolios using an *existing set of data*[2] and the drafting of a (preliminary) report to present the results doesn't take more than a couple of months.
- The development of more sophisticated approaches relying on new data or models would take more time, but is rather unlikely to be developed before the first reporting cycle.
- In the context of the award, we therefore *expect candidates to develop reports based on current developments*, and focus innovation on the combination and marginal improvement of existing methodological frameworks.

Therefore, candidates are invited to *apply with either a draft document relevant for their 2016 report* (they can submit concept reports provided they undertake to publish an up-to-date and final version after the conclusion of the award cycle) *or a submission based on 2015 developments.*

Following our vision, we expect the first edition of the award to identify potential for further evolutions of reporting frameworks, while at the same time enabling the monitoring of current endeavours on reporting of climate-related issues.

Highlighting best practices. The award ceremony will be complemented by a conference dedicated to sharing best-practices, showcasing the diversity of approaches and the lessons learned during initial implementation of Article's 173 requirements. Moreover, the conclusions of the process will be embodied in a landscape report.

Award Categories.

- The consultation document listed a large number of potential award categories, raising concerns about the lack of clarity in the message sent. Therefore, we have decided to limit the number of awards to 3 or 4 awards categories, including a 'Special award of the Jury', in line with the objectives of the law and its secondary legislation, which are reflected in the Criteria Guidelines. These categories could relate to the best metrics used, impact or financial risk analysis, client and beneficiary communication.
- In the first version, the award categories distinguished the type of data used in the analysis (climate-related or green-growth-related). Some organizations consulted expressed concerns about the inconsistency of this distinction with Article 173-VI and its secondary legislation that are 'agnostic' about methods and metrics. Therefore, the awards will not be granted based on the use of a particular type of model or data.
- During the consultation period, some investors have advocated reducing the number of award categories and at the same time including award categories based on the nature of the investor (asset manager or asset owner) and the class of assets (equities, fixed-income, infrastructure, etc.). These are competing objectives (limiting the number of awards while distinguishing actors and asset classes); thus, integration of these requests proved to be difficult to combine. Therefore, it will be to the Jury to decide on specific categories reflecting specificities that could successfully promote outstanding practices, obviously depending on the number and quality of applications.

Investors are invited to develop and report outstanding practices on *certain* criteria or objectives (e.g. manage climate-related risk, contributing to the energy and ecological transition) rather than to try to have the best score on each and every dimension. Indeed, as highlighted above, we expect that achieving a high score in all categories would not be possible currently, considering the constraints observed in existing practices and the timing of the prize.

Candidates will therefore not be penalized if they do not score well on all criteria. Investors are thus encouraged to submit their reporting even if it only speaks to one of the objectives (e.g. disclosure limited to risk-related reporting).

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[2] The creation of a full set of data on securities would take more time, but is unlikely to be developed before the law implementation period anyway.

Potential conflict of interests. During the consultation process, some organizations consulted expressed concern about potential conflicts of interest, arising from two issues:

i.) the lack of clarity on the organizations and persons involved in the jury of the award; and

ii.) the participation of 2°Investing Initiative in the Sustainable Energy Investments (SEI) Metrics consortium and associated methodologies used to measure the alignment of financial portfolios with climate goals.[3]

Composition of the jury. The jury is composed of four constituent groups. The full list of members will be made public before the submission period[4]:

- French and other European governments,
- French and other European members of the parliament,
- International investors' groups active on climate change,
- Advocacy NGO's committed to environmental and climate reporting issues.

The Jury has been carefully composed to avoid any kind of conflict of interest: concretely no organization directly involved in providing data or developing assessment methodologies will take part to the vote. 2° Investing Initiative is therefore not part of the jury.

Application and deliberation process. Candidates are invited to submit their application to Prix-reporting-investisseurs@developpement-durable.gouv.fr from September 15th to October 15th, 2016.

A pre-assessment of the reports will be provided jointly by 2°Investing Initiative and the Office of the Commissioner General for Sustainable Development (CGDD) of the French Ministry of Environment that will guarantee the integrity of the process. The CGDD will then select, if appropriate, a shortlist of candidates that will be conveyed to the jury. The independent jury, led by Mrs. Ségolène Royal, will determine the final award categories and grant the awards based on the quality of reports received.

Communication. The applications will be strictly confidential and the communication on the award will be focused only on its winners. The only information on the applications will be made on a global basis, e.g. the total number of applications, their geographical origin, the breakdown between asset owners and asset managers. No information on the result of the analysis provided by non-winning participants, nor the name of the candidates will be made public without prior written consent (with the exception of winners).

[3]The consortium also includes CDP, Climate Bonds Initiative, WWF, Frankfurt School of Finance and Management, Cired/CNRS, Zurich University and Kepler Cheuvreux

[4]For more information about the Jury's constituents, please visit www.developpement-durable.gouv.fr/International-Award-for-Best.html.

2. EVALUATION CRITERIA GUIDELINES

The evaluation criteria of the ***International Award on Investor Climate-Related Disclosures*** are framed as a comprehensive reporting structure in line with the climate-related requirements of the secondary legislation of Article 173 of the French Law on the Energy Transition for Green Growth. The evaluation grid is designed to provide enough flexibility to investors to use it as a reporting template as they adapt their reporting framework to comply with the provisions of Article 173. For example, the following table shows a hypothetical report that could receive a full score, even though this may not be possible today (see above). The candidates with limited time and resources are however invited to focus their efforts on selected sections to come up with outstanding practices rather than seeking exhaustive coverage.

Indicative reporting template representing a full (100%) score:

Sections	**Nb of pages [10 – 20 pages[5]]**	**Content**
Integration of climate-related criteria into investment decisions	~15%	Mostly narrative, with figures on voting, shareholder engagement, asset manager mandates, etc.
Consistency of investments with climate-related goals	~35%	Quantitative analysis, charts, technical notes
Exposure to Climate-related risks	~35%	
Communication to clients and beneficiaries	~15% (can be annexed to the report[6])	Visuals and description of the plan

[5] Excluding methodological appendices. The length of the report is not an assessment criterion. Applicants are obviously free not to feel limited by the above indication of number of pages of the submitted report.

[6] If not included in the main report, a summary of how the report is publicized to beneficiaries, clients, and the public should be submitted separately. Given the timeline of the award, participants are also allowed to submit an "in progress" report, and are obligated to release a similar report before July 2017 in line with the traditional reporting cycle. If this strategy is followed, the *intended* communication strategy for the document can be submitted as a separate document.

2.1 TRANSPARENCY ON THE INTEGRATION OF CLIMATE-RELATED CRITERIA INTO INVESTMENT DECISIONS AND ENGAGEMENT

Secondary legislation requirements

The secondary legislation requires[7] a description of the overall approach to integrating climate (and broader ESG) issues into the investment strategy and practices. In the context of the award, the reporting investors are invited to focus only on climate-related criteria:

- At entity level:
  a. The entity should report on the general approach with regard to the inclusion of climate issues in the investment policy and (when applicable) risk management;
  b. For an asset management company, the list and the % share of funds (in assets under management) that integrate climate criteria;
  c. The use of (or membership in) labels, initiatives, charters, and codes related to informing on the 'quality' of climate practices, including a brief description of said labels, initiatives, charters, and codes;
  d. If the entity has a risk management policy, a general description of the internal procedures of the entity to identify the risks associated with climate issues, a general description of risks identified, and the exposure of its activities to these risks.
- At portfolio or asset classes level:
  a. Description of the nature of the main criteria considered for climate issues and the reasons for choosing them.
  b. For each criteria or set of related criteria:
     i. Description of the assessment approach, with a focus on the methods and metrics used and a description of possible targets or threshold referred to in this analysis
     ii. Investors and managers are also required to report concrete implications of the integration of the outcome of the assessment in their investment decisions of how the integration of climate criteria impacted the portfolios, implementation of dedicated engagement with counterparties – e.g. issuers, asset managers – specific provisions in assets managers' mandates, etc.).

Criteria 2.1.1. Consistency of the business objectives

100%	66%	33%	0%
The entity describes the business motivations[8] associated with the inclusion of climate-related criteria in a way that is specific and consistent with the approach and the indicators adopted. The approach adopted is consistent with the investment horizon of the portfolio concerned, and the overall investment framework.	The description is consistent with the criteria and approach applied, but relies on assumptions that are not consistent with the investment horizon of the portfolio, and the overall investment framework of the investor[9].	The motivations described are too vague and not specific enough to be assessed.	The motivations described are inconsistent with the approach and indicators adopted[10].

Criteria 2.1.2. Acknowledgement of the shortcomings of the approach

100%	66%	33%	0%
A detailed description of the depth of the analysis, the shortcomings of the methodology, and the data granularity and uncertainty is provided[11]. A plan to address them is communicated.	The methodology is clearly described, as well as the shortcomings, but the plan to address them is unclear.	The limits of the methodology and data used are barely mentioned.	The limits are not acknowledged and ignored.

[7] The requirement involves an overall 'comply or explain' mechanism, the present project is seeking submission from institutions willing to ambitiously fulfil the reporting.
[8] E.g. improving brand reputation, differentiating products thanks to green marketing, better management of long-term financial risks, fostering innovation internally, etc.
[9] E.g. The inclusion of climate-related criteria aims at correcting a mispricing of long-term climate-related risks, but the turnover of the portfolio is 100% in a year and the in house analyst focus on forecasts and cash flow estimates on the next year.
[10] E.g. the main business benefit perceived is financial risk management, while the indicators used do not seek to measure financial risk exposure.
[11] Based on the review of existing methodologies and data, the most frequent shortcomings include the use of proxy methodologies disconnected with the aim of the analysis, a level of data uncertainty leading to potentially misleading information, the use of questionable assumptions, etc.

Criteria 2.1.3. Description of engagement activities with issuers and their impact

100%	66%	33%	0%
The description of engagement activities describe the level of support brought to relevant bilateral engagement, investor support for external resolutions and projects of resolution, the leadership of the investor in initiating resolutions, the positions adopted, questions asked in AGMs and the impact on the companies' decisions and plans[12]. Where no impact has occurred, a description is provided on why the assets are kept even if the company strategy is not in line with the required changes.	The actions and positions are precisely described and justified but the impact assessment is vague.	The policy is clearly formulated and the description focused on resolutions and proposals that have been supported but explanations are lacking on the reasons for not supporting potentially climate-relevant (projects of) resolutions.	The description is limited to general engagement policy, with no clear picture of how it is concretely implemented.

Criteria 2.1.4. Description of the integration of criteria into asset manager mandates[13]

100%	66%	33%	0%
Precise description of how the climate-related approach is integrated in each new mandate and the requirements to the asset managers for existing mandates[14]. Specific focus on the consistency with incentives and KPIs.	The new criteria and engagement activities are well described but the consistency with core incentives and KPIs remains unclear.	A detailed description is provided for on new mandates, but the impact of engagement activities on existing mandates is unclear.	The concrete implications of the climate approach for new and existing mandates is unclear.

Criteria 2.1.5. Relevance of the 2°C 'contribution' target and strategy

100%	66%	33%	0%
The 'contribution' target[15] is defined in such a way that its achievement necessarily leads to quantifiable additional reductions of GHG emissions in the real economy, directly triggered by the actions of the investors. The target is benchmarked to international and/or national climate targets. The assumptions regarding burden sharing between sectors and players are clearly explained and discussed.	The target necessarily leads to quantifiable additional reductions of GHG emissions but nothing indicate that it is in line with climate targets.	The target and approach do not allow understanding how they will trigger emission reductions in the real economy[16].	There is no target or objective set to benchmark consistency with and contribution to international and/or national climate targets

[12] Specific metrics could include number of environmental and climate-related questions asked during shareholder general meeting; number of environmental and climate-related resolutions tabled/adopted/rejected during shareholder general meeting; number of external environmental and climate-related resolutions voted during shareholder general meeting; number of actions undertaken in the context of the bilateral dialogue with the companies; etc.

[13] Only applicable to asset owners

[14] Specifically reporting could include the % of the mandates given to asset managers that include guidelines on these topics

[15] The 'contribution target' refers to the target set by the investor to improve its *contribution* to the energy transition and the achievement of international climate goals, it is also sometimes referred as 'decarbonization target'

[16] For instance, the progress of the indicator is not necessarily associated with progress in the real economy or/and only reflecting a trend independent from the actions of the investor.

2.2 ASSESSMENT OF THE CONSISTENCY WITH CLIMATE GOALS

Secondary legislation requirements

Reporting entities are required to disclose to what extent their investments are consistent with energy and ecological transition, the Paris Agreement objective of limiting global warming well below 2°C, and the objectives of the French low-carbon strategy.

The secondary legislation provides examples of indicators to base the analysis on:

- *Resources-related indicators* - To what extent the investees' activities are dependent on the exploitation and use of natural resources compatible with climate goals or ecological constraints.
- *Capex-related indicators* - To what extent the investees' capital expenditures are compatible with climate goals.
- *GHG indicators* - To what extent the GHG emissions associated with investees' activities are consistent with climate goals.
- *Green finance indicators* - the extent to which investment contributes to the energy, low carbon and ecological transition.

Following the general philosophy of Article 173-VI, these are possible examples and reporting entities should find approaches that are relevant for their own activities and constraints and are invited to develop other/more appropriate types of indicators. The secondary legislation invites the development of 'indicative targets', allowing for a benchmarking of the consistency with and contribution to climate and energy and ecological transition goals at portfolio level.

The reporting entities are asked to describe the methodology used, including the assumptions made to establish the indicative targets, the relevance of the indicators selected, of the sources of information used, and the scope of reporting to inform the analysis. The criteria presented below apply to all types of indicators.

Criteria 2.2.1. Conversion of climate objectives into indicative targets specific to investments in financial assets

100%	66%	33%	0%
The entity discloses a comprehensive set targets. based on a robust methodological approach.	The entity describes a robust approach but the set of targets disclosed is limited in coverage[17].	The method described is not transparent enough to understand the assumptions used for the target conversion.	The entity does not report a target. If a target is given, it seems arbitrary, or inconsistent.

Criteria 2.2.2. Assessment of the portfolio's consistency with chosen indicative targets

100%	66%	33%	0%
The entity discloses a quantitative assessment of the misalignment with targets and precisely identifies the hotspots and actions required	The entity discloses the magnitude of the misalignment, but the results of the analysis are not directly actionable by the investor	No benchmark against climate targets is disclosed, but the information disclosed allows the reader to perform the analysis on his/her own	The indicators disclosed cannot be benchmarked against climate targets with existing material.

Criteria 2.2.3. Asset-class coverage

100%	66%	33%	0%
The entity discloses all relevant asset categories. Exclusions are limited and duly justified.	The entity discloses on a few asset classes, excluding other relevant asset classes. Gaps are explained.	The disclosure focuses on a single asset class.	The entity states that the analysis only covers a limited number of securities due to gaps in data[18].

Criteria 2.2.4. Sector / technology coverage

100%	66%	33%	0%
The entity discloses on all climate-relevant sectors and technologies, including both brown (e.g. GHG-intensive) and green (e.g. GHG avoiding). Exclusions are duly justified.	The entity discloses on the main relevant sectors and technologies, but major gaps remain. Reasons for gaps are explained.	The entity states that the analysis focuses on 'brown technologies' and ignores 'green' technologies associated with avoided GHG emissions.	The entity states that the analysis focuses on a single technology / sector.

[17] E.g. certain relevant asset classes or industries are not covered.
[18] E.g. the analysis is focused on issuers reporting GHG emissions.

Criteria 2.2.5. Reporting on scope of investee activities/organizational boundaries

100%	66%	33%	0%
The entity discloses how it relies on both relevant direct and indirect activities (e.g. Scope 3 GHG emissions[19]) associated with issuers in key relevant sectors and specifies hypothesis and shortfall of the analysis.	The entity discloses how it relies on relevant direct activities and partially takes into account indirect activities (e.g. Scope 3 GHG emissions) in key sectors. Remaining gaps are explained.	The entity relies only on direct activities of investees but discloses the limitations of such an approach.	The entity discloses on direct activities of investees only and do not specifically disclose the implications of the shortcomings.

Criteria 2.2.6. Time horizon

100%	66%	33%	0%
The analysis is both forward and backward looking, allowing the assessment of both historical contribution of investees and the (forward-looking) consistency of their plans with climate targets.	The analysis is mostly backward-looking, the forward looking dimension is only based on extrapolation of past trends.	The analysis is limited to recent past data (i.e. annual GHG emissions from past reports), thus limiting the comparability with climate targets and the analysis of historical contribution.	The analysis is based on estimates and sector average values with no clear indication of time boundaries.

Criteria 2.2.7. Geographic granularity of the analysis

100%	66%	33%	0%
The analysis is based on geolocated[20] data, thus allowing the analysis of the alignment with local, national, and global targets and policies.	The analysis is based on country-specific data.	The analysis is based on regional-level data (e.g. Europe, USA, Africa and Middle-East).	The analysis is based on investees consolidated indicators, thus ignoring differentiated regional contributions (e.g. total Scope 1 and 2 GHG emissions at issuer level).

Criteria 2.2.8. Disclosure of results at relevant granularity

100%	66%	33%	0%
The investor provides both summary indicators informing comparison between reporting entities and more granular data allowing investment product comparison and deep-dive / further analysis by analysts. The investor explains how e.g. confidentiality issues are dealt with.	The indicators are aggregated in a way that allows clients and beneficiaries to compare investment products, but do not allow deep-dive / further analysis by analysts. The obstacles (e.g. related to the confidentiality of data) are described in a way that allows the reader to understand what can and cannot be done.	The information disclosed allows comparison between reporting entities, but not at investment product level thus preventing the use by clients and beneficiaries.	The results are presented as a single indicator ignoring differences[21] between investors and thus non comparable.

[19] The international standard GHG Protocol defines three "scopes" of activities for organization when accounting for GHG emissions: Direct (Scope 1), Indirect (Scope 2; related to purchases of energy such as electricity, steam, etc.), and Indirect (Scope 3, related to the upstream and downstream value chain of the organization, including the use of its products)
[20] For instance, using data that locates the activities of investees to specific watersheds, localities, etc.
[21] E.g. strategic asset allocation, country exposure…etc.

2.3 TRANSPARENCY ON THE EXPOSURE TO CLIMATE-RELATED RISKS

Secondary legislation requirements

The entity should report the method used and results of the analysis of its exposure to climate-related risks. Climate risks refer to two dimensions:

- Physical risks, defined as exposure to physical impacts directly induced by climate change;
- Transition risk (ET), defined as the exposure to changes caused by the transition to a low-carbon economy.

The objective of the required disclosure, and therefore of the award, is to raise awareness of the risks related to climate change among reporting entities and to take stock of the current practices in terms of risk analysis of physical and/or transition risks. In that respect, it can comprise having a picture as precise and quantified as possible of the value-at-risk for the investor, in a scenario of sharp transition to a low carbon economy (compatible with climate targets) on the one hand, and/or in a scenario of accelerated occurrence of physical impacts related to global warming on the other hand[22].

The secondary legislation provided examples of possible indicators in relation to these risks:

- *Climate-events indicators* – in the context of physical risks, to what extent the investees are vulnerable to extreme weather events for instance.
- *Resources-related indicators* - in the context of physical risks, to what extent the investees' activities are dependent on the exploitation and use of natural resources that supply can significantly diminish and negatively affect its financial prospects.
- *Capex-related indicators* - to what extent the investees' capital expenditures will contribute to shield them from potential physical and transition risks.
- *GHG indicators* – in the context of transition risks, to what extent the GHG emissions associated with investees' activities can lead to financial stress in case of stricter and harsher environmental regulations for instance.

The criteria presented below apply to all types of indicators and methodologies[23].

Criteria 2.3.1. Relevance of the climate-related risk management

100%	66%	33%	0%
The method and indicator used directly inform the value at risk for the portfolio, regarding both ET risks and physical risks.	The approach disclosed focused on one type of risk (ET or physical).	The indicators used do not inform risk exposure[24], but the conclusions drawn are consistent and add value to the analysis.	The indicators disclosed are not relevant to inform risk exposure for neither ET or physical risks, but are presented as such[25].

Criteria 2.3.2. Time horizon of analysis and consistency of risk scenario(s)

100%	66%	33%	0%
The value at risk disclosed is based on a clearly defined adverse scenario, precise and consistent with the investment horizon of the assets and portfolio[26].	The scenario is clearly described, but based on the overnight materialization of risks that is highly unrealistic[27].	The entity discloses a scenario timeframe that is inconsistent with the investment horizon.	The scenario and assumptions are not clearly described.

[23] For background information on the topic, please refer to Financial Risk and the Transition to a low-carbon economy, towards a carbon stress-testing framework, UNEP/2Dii (2015).

[24] E.g. indicators ignore a number of parameters in the 'risk equation' including cost pass through capacity for companies, maturity for securities, etc.

[25] E.g. the carbon intensity (CO_2/€ of sales) of a company is presented as a relevant indicator of its exposure to carbon policy-risk with no further explanation or supporting information.

[26] E.g. If the value at risk is evaluated for corporate bonds, the risk described in the scenario materialize in a time frame consistent with the maturity of the bonds.

[27] E.g. High level of carbon tax applied consistently across the globe within the next 2 years.

Criteria 2.3.3. Physical risks: comprehensiveness of the risks analyzed

100%	66%	33%	0%
The entity discloses the most relevant types of impacts related to physical risks for the investor[28].	The entity discloses on certain categories of risks, and acknowledges the limitations. The plan to extend the analysis is provided.	The entity states the coverage of analysis focuses on certain categories of risks, but the shortcomings are not acknowledged.	The entity does not disclose the type of risks captured.

Criteria 2.3.4. Physical risks: granularity of the analysis

100%	66%	33%	0%
The entity states that the financial analysis is based on micro-level data[29], issuer by issuer.	The financial analysis is based on assumptions by region and sub-sector[30]. The rationale behind the assumptions is clearly described.	The financial analysis is based on assumptions by sub-asset class. The rationale behind the assumptions is clearly described.	The analysis is based on assumptions that are not clearly defined.

Criteria 2.3.5. ET risks: comprehensiveness of the risks analyzed

100%	66%	33%	0%
The entity states that the analysis distinguishes and captures most relevant types of ET risks[31], based on differentiated and specific assumptions. It captures both upside and downside dimensions of scenarios.	The entity states that the analysis focuses on a single policy risk[32], acknowledging shortcomings and their implications.	The entity states that the analysis focuses a single policy risk, but largely ignores the implications for the relevance of the analysis.	The disclosure of the nature of the risks captured is unclear.

Criteria 2.3.6. ET Risks: granularity of the financial analysis

100%	66%	33%	0%
The financial analysis is based on geographically explicit data (e.g. exposure of individual plants to regulatory changes), issuer by issuer[33].	The financial analysis is based on assumptions by region and sub-sector. The rationale behind the assumptions is clearly described.	The financial analysis is based on assumptions by sub-asset class. The rationale behind the assumptions is clearly described.	The analysis is based on assumptions that are not clearly defined.

Criteria 2.3.7. Asset-class coverage for risk assessment

100%	66%	33%	0%
The entity states that the analysis covers all relevant asset categories offering a comprehensive picture of the value at risk for the investor. Exclusions are limited and duly justified.	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 exposure of the investor.	The entity's description analysis is focuses on a single asset class. The plan to extend coverage is communicated.	The analysis only covers a limited number of securities.

Criteria 2.3.8. Sector coverage for risk assessment

100%	66%	33%	0%
The entity states that the analysis covers all climate-relevant sectors and technologies, including both upside and downside. Exclusions are duly justified.	The analysis covers the main relevant sectors and technologies, but major gaps remain. Reasons for gaps are explained.	The information provided focuses on downside risks in a limited number of sectors.	The analysis focuses on a single technology / sector.

[28] E.g. impact of extreme weather events and sea level rise on the value of infrastructures exposed, the price of commodities, the sales in weather sensitive sectors, etc.
[29] E.g. Exposure of each power plant to water scarcity, sales by product to changes in weather patterns, etc.
[30] E.g. breakdown of sales by Europe, US, etc. and GICS level 4 sector.
[31] E.g. policy risks related to carbon tax, ETS, energy efficiency norms, tensions of resource availability and price, litigation, etc.
[32] E.g. focus on a carbon tax.
[33] E.g. taking into account the pricing power and financial buffers of each issuer.

2.4 COMMUNICATION TO CLIENTS AND BENEFICIARIES

Secondary legislation requirements

The entity should report on the content, frequency, and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries or clients about the integration of ESG criteria in the investment policy and, if applicable, risk management.

In the context of the award, the candidates are expected to provide a detailed description of their actions regarding the communication with clients and beneficiaries. Given the circumstances of the award, the candidates' plan on this matter will be considered. Both the description and the ambition of the plan will be assessed.

Criteria 2.4.1. Clear and detailed description of the communication plan[34]

100%	66%	33%	0%
Detailed and comprehensive description of way the information will be communicated, including channels of communication[35], sketches of visuals, frequency of updates, etc.	The plan is general clear but remains vague on some key dimensions.	The communication plan is vague.	The communication plan is limited to a publication on the corporate website and annual report.

Criteria 2.4.2. Ability of the beneficiaries to integrate, if they wish, climate-related criteria into their own investment decisions

100%	66%	33%	0%
The entity has a clear and potentially effective plan to help clients and beneficiaries reflect their beliefs and expectations into their investment and divestment decisions and consequently their choice between investment product. The main obstacles are identified and addressed (e.g. difficulties to compare products, lack of training of the sales' force, partial information…)	The plan is clear and potentially effective, but the analysis of obstacles is missing.	The plan does not address the key obstacles and is likely to have a limited impact on the ability of the beneficiaries to reflect their beliefs and expectations into their decisions.	There is no communication strategy.

Criteria 2.4.3. Resources mobilized to implement actions

100%	66%	33%	0%
The entity quantify the resources mobilized on the communication and engagement activities, and provide a clear schedule.	The actions are described in a way allowing to understand the level of ambition.	The description doesn't allow to understand the level of ambition.	No communication on the resources mobilized.

[34] It is recognized that such plans may be confidential in detail but candidates should disclose as much detail as is possible and note where further disclosure is not possible.

[35] For instance, publication of the strategy on the entity website.

3. SCORECARD FOR THE JURY

Each reports submitted by the candidates will be rated on the various criteria. For each section of the grid the scorecard will include a summary of the strengths and weaknesses (2-3 sentences) and a spider chart.

Early birds special: The candidates submitting their report the first week of the submission period (starting September 15th) will receive their scorecard and have the opportunity to submit an improved report.