

Annual Report 2019



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The image features a dense, lush green forest of evergreen trees, likely spruce or fir, filling most of the frame. On the left side, there is a dark blue vertical bar containing a white outline of a coastline, possibly representing a region in the Pacific Northwest. The text "Welcome & overview of 2019" is centered in the upper half of the image in a white, serif font.

Welcome & overview of 2019

Welcome

Dear friends, partners, and members,

When 2° Investing Initiative was founded in 2012, we conceded that the strategic objectives we outlined in our [first report](#)¹ looked positively utopian. Among other goals, we had called for assessing portfolio alignment with climate goals; undertaking climate stress-testing of future cash flows and portfolio returns; and making related disclosure requirements for companies and financial institutions.

At that time, we were among the first organizations working to promote the concept of ‘alignment’ of financial flows with climate goals, in a regulatory context. Critically, few of the ideas we were pushing at the time were even acknowledged by financial regulators, not to mention taken seriously.

Now – seven years after 2DII’s founding – regulators, financial institutions, and other key players have integrated nearly all of the concepts that we had outlined into their agendas. Notably, these ideas are firmly on the regulatory agenda in Europe, which was our original area of focus. For instance, the concept of portfolio alignment with climate goals and related disclosures has now been integrated into French Article 173 (the first climate-related financial regulation in Europe), as well as various EU regulations and recommendations by the Taskforce on Climate-related Financial Disclosures (TCFD).

As 2DII and its core ideas have reached maturity, so too have many of our key research initiatives, policy work, and engagement efforts. In 2019, we saw a number of our flagship projects – notably the Paris Agreement Capital Transition Assessment (PACTA) climate scenario analysis methodology, our research collaborations with regulators and supervisors, and our retail investing and consumer protection work – hit new milestones.

Strong progress on our key areas of work in 2019

With our team of 30+ based in Paris, New York, Berlin, and London, and working with partners around the world, we made strong progress on our core goals over the course of the year:

Aligning financial portfolios with the Paris Agreement goals: more than 1,000 organizations, including governments, supervisory authorities, global banks and more, are now using the PACTA tool

The PACTA tool builds on our first research project (SEI Metrics), which introduced the concept of portfolio alignment with the Paris agreement. In September 2019, one year after we launched the **PACTA tool**, we hit a new breakthrough with nearly 2,000 individuals from more than 1,000 institutions who have used the tool to conduct over 6,700 climate scenario analysis tests. In total, the assets under management of financial institutions using the tool amounts to more than USD 61 trillion. By the end of 2019, PACTA users came from over 60 countries on six continents, with uptake by leading supervisors (European Insurance & Occupational Pensions Authority, California Department of Insurance, Bank of England); global banks (such as the Katowice Banks – ING, BBVA, BNP Paribas, Société Générale, and Standard Chartered); asset managers, NGOs, and more.

We were particularly proud of progress we made on a related initiative: the **PACTA methodology for corporate lending**. In early 2019, we began working with a pilot group of 17 leading international banks to extend the scope of the PACTA methodology to corporate lending portfolios. Together, these banks represent approximately 20% of the 100 biggest global banks in terms of AuM. Set to be released in 2020, the new application represents a major step forward in the banking sector’s contributions to measuring climate alignment of their lending portfolios – thereby empowering them to contribute further to the Paris Agreement goals.

In addition to PACTA’s uptake by leading banks and other institutions, 2019 also saw the launch of a **new collaboration with the governments of Switzerland and the Netherlands**. Ahead of the UN Climate Action

¹ <https://2degrees-investing.org/wp-content/uploads/2017/04/Connecting-the-dots-between-climate-goals-portfolio-allocation-and-financial-regulation-2012.pdf>

Summit in New York, Bern and Amsterdam presented a new initiative on how public and private investments can be tested for climate compatibility and aligned with the Intergovernmental Panel on Climate Change's 1.5°C target.

Representatives of several European countries, including Denmark, Italy, Luxembourg, Norway, Portugal, Spain, and Sweden, responded to their call and signed up to coordinate joint climate assessments. The 2° Investing Initiative is proud to provide key support to this pledge with PACTA, which governments are using to assess listed equity and corporate bonds – building on our original [research partnership](#) with the Swiss government in 2017.

Working with governments and policymakers to help align regulatory frameworks with climate objectives: new €18 million project launched to implement the European sustainable finance action plan in France

Beyond our work on PACTA, we launched new collaborations with governments that helped us further advance our goal of putting sustainable finance squarely on the regulatory agenda. Most importantly, we started a new five-year, multi-partner project, **Finance ClimAct**, in partnership with the French government and other organizations: The Ministry of the Environment, L'Agence de la Transition Ecologique (ADEME)/the French Ecological Transition Agency, l'Autorité des Marchés Financiers (AMF)/French Market Authority, l'Autorité de Contrôle Prudentiel et de Résolution (ACPR)/French Prudential Authority, Institute for Climate Economics (I4CE), Finance for Tomorrow (F4T), and GreenFlex.

Beginning in 2019 for a period of five years, it has a total budget of €18 million, including €10 million co-financed by the European Commission. The project aims to align the French and European action plans on sustainable finance and to strengthen French positioning on this topic. 2DII identified the funding opportunity, approached the partners, and devised the initial blueprint for the project in close collaboration with ADEME.

2DII's work on the project will cover three main areas: capacity building on scenario analysis, stress-testing, and disclosures; support for the implementation of Article 173; and the integration of sustainability considerations into financial advice and product information. This last area will build on 2DII's pioneering work in studying retail investors' sustainability preferences.

Enabling the financial sector to drive the transition to a low-carbon economy: devising innovative new tools and engaging with stakeholders in critical emerging markets

Starting in 2019, 2DII started to extend its activities beyond Europe and the US to new markets.

In early 2019, we devised a new tool known as the [Climate Tech Compass](#) in partnership with Beyond Ratings (now part of FTSE group). The Compass provides a roadmap of investments and other factors needed in order to achieve the 2°C target in each country – including emerging economies where data is sometimes lacking. This will help increase the involvement of non-state actors in the design of NDCs.

We have also paid special focus to engagement in Latin America. As part of the **International Climate Initiative (IKI) project** funded by the German government, in 2019 we partnered with two financial industry associations to adapt and apply the PACTA scenario analysis tool to the portfolios of Colombian insurers and Mexican asset managers. The portfolios of 71 investors with a total of USD 109 billion in AUM were assessed through these partnerships, covering 100% of the Colombian insurer's investments and 80% of Mexican asset managers' investments. We envision the extension of the program with four other Latin American industry associations and supervisory authorities in 2020.

Finally, 2DII also created a new partnership with the Japanese banking authority (JFSA) to conduct an assessment of Japanese banks' loan books. The project is set to take place in 2020.

Supporting retail investors who want to make a positive climate impact with their money: new workstreams on sustainable retail investing and consumer protection

Finally, a new research program has begun to take off in 2019 and that will continue for at least the next five years: our work on retail investment and consumer protection. The objective of the program is to **help**

support sustainable investing in Europe, via a multi-disciplinary approach including consumer research, behavioral finance, legal and regulatory analysis, policy work, methodological and data work, and software development.

Building on our 2017 research on MIFID II, the European Commission introduced a reform of financial advisors' duties, integrating an obligation to ask about ESG preferences. To support the implementation, we have initiated a series of research and support actions including: consumer surveys, behavioral science field experiments, mystery shopping visits, market research, collaborative design of a standard suitability questionnaire, and the development of a free, unbiased online advice platform.

Over the course of the year, we partnered on the topic with Maastricht University, WWF and Better Finance, in addition to the aforementioned collaboration with French authorities. This work laid the foundations for the publication of two papers in late 2019 and early 2020, as well as for a series of related papers published in early 2020.

Progress on communications and stakeholder engagement efforts

In 2019 we have improved several communications metrics, including the volume of industry media and social media coverage.

Over the course of the year, 2DII staff organized or spoke at 141 events, conferences, webinars, and workshops in 22 countries in Europe, Asia, North and South America. For the second year, we also organized the Climate Reporting Awards, in partnership with the French government ahead of Climate Finance Day.

Growth in team numbers, budget, and projects

2DII has continued to grow over the course of the year, in terms of staff numbers, budget, and proposals won. In 2019, we counted 31 staff from 10 different countries (+24%), and a budget of more than €4 million (+17%).

Our plans for 2020: measuring evidence of impact, enhancing the PACTA tool, and retail investing

In 2020, we look forward to working on three key initiatives, among others. First, we will be devoting increased resources to studying evidence of impact in sustainable finance, in an effort to help figure out which investment strategies and regulations are most effective in the real economy. In turn, this will enable us to help fight greenwashing and other misleading marketing strategies, as well as supporting efforts by consumers to invest responsibly.

In 2020, we also look forward to launching the free, public version of PACTA for Banks, which is currently being tested by 17 international banks from around the globe.

And finally, we will deploy our research efforts on retail investing and consumer protection beyond pilot countries (France and Germany), in Europe and the US.

We couldn't have achieved this work without our wide network of supporters, partners, and stakeholders, who together represent nearly all corners of the sustainable finance ecosystem. Thank you again for your support, and we look forward to collaborating with many of you in 2020 and beyond.

- The 2° Investing Initiative network

Who we are

The [2° Investing Initiative](#) (2DII) is an international, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals. 2DII functions as an integrated network consisting of three main entities (in France, Germany, and the US).

With offices based in Paris, Berlin, New York, and London, as well as a close network of globally located partners, we coordinate the world's largest research projects on climate metrics in financial markets. In order to ensure our independence and the intellectual integrity of our work, we have a multi-stakeholder governance and funding structure, with representatives from a diverse array of financial institutions, regulators, policymakers, universities, and NGOs.

The goal of this report is to outline our main achievements and areas of work in 2019, in addition to key financial and operational information, for all of the 2DII entities.

In 2019, as outlined in the *Welcome*, our work focused on four core objectives:

1. Aligning financial portfolios with the Paris Agreement goals
2. Working with governments and policymakers to help align regulatory frameworks with climate objectives
3. Enabling the financial sector to drive the transition to a low-carbon economy
4. Supporting retail investors who want to make a positive climate impact with their money

We work towards these goals through a number of workstreams, including high-level research collaborations (with universities, governments and regulators); policy insights; communications and stakeholder engagement; and incubation.

As a multi-stakeholder think tank, in addition to our team of 30+ staff, we worked with a range of high-level partners in the sustainable finance industry, including:

- Fellow think tanks and NGOs (InfluenceMap, Carbon Tracker Initiative, ShareAction...)
- International organizations (UN Environment Program - Finance Initiative, UN Principles for Responsible Investment, UN Framework Convention on Climate Change...)
- Industry coalitions (Climate Action 100+, Institutional Investors Group on Climate Change...)
- Governmental or supervisory organizations (Japan Financial Services Agency, Bank of England, Swiss Environment Ministry...)
- Academia (Oxford Smith School of Enterprise & Environment, School of Oriental and African Studies (SOAS))...
- and the private sector (BBVA, BNP Paribas, ING, Standard Chartered, Société Générale...)

Our values:

Non-commercial & committed to the public good

We have no commercial contracts and provide all our research open source and intellectual property-rights free. This policy minimizes financial conflicts of interest and help ensure the public good driven nature of our work.

Interest neutral

Our governance and our funding structure is designed to be diversified and multi-stakeholder. This ensures that our research is not designed to represent a particular interest group.

Science and evidence based

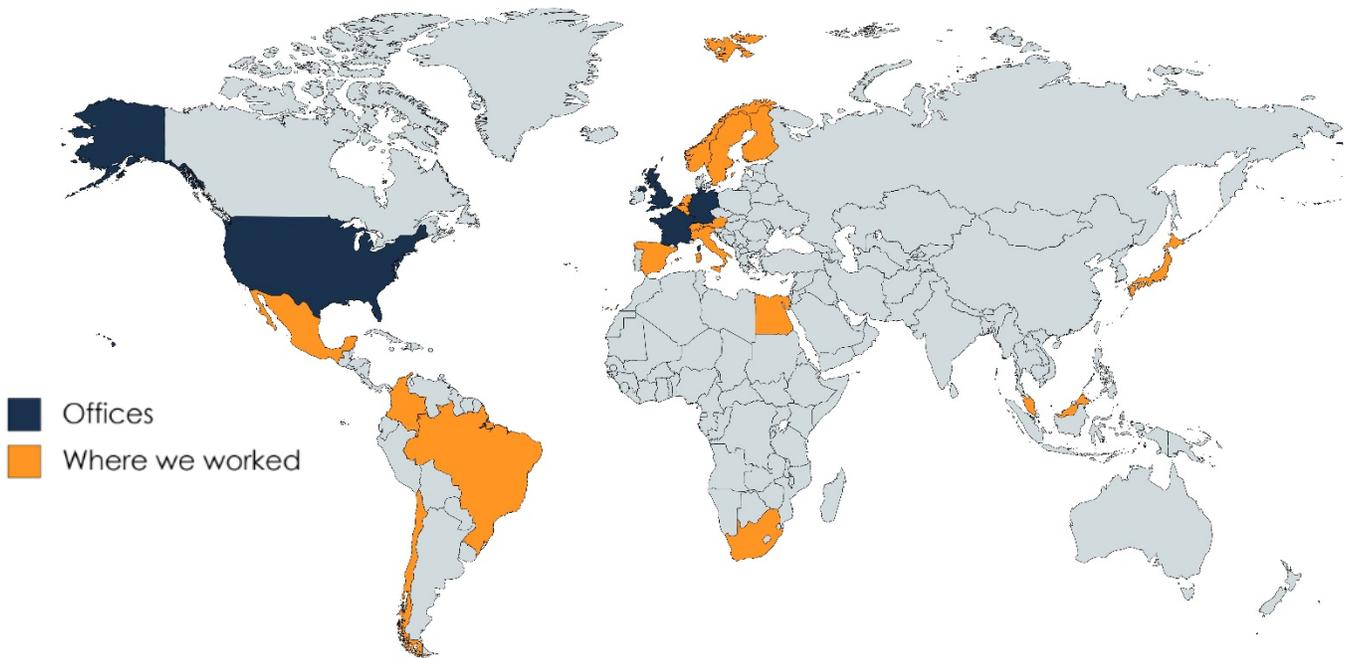
Our research is meant to be science based; we are constantly aiming to improve the evidence base on which key regulatory and market decisions are made.

Our global reach

In addition to our bases in Paris, New York, Berlin, and London, our team members organized or presented at more than 140 roadshows, conferences, and meetings with stakeholders in 22 countries in Europe, Asia, North and South America – helping us further extend our reach beyond our main hubs.

- **Paris office:** founded in 2012, 10 staff (**note:** all figures are as of 31 December 2019)
- **New York office:** founded in 2015, 6 staff
- **Berlin office:** founded in 2015, 13 staff
- **London office:** founded in 2017, 2 staff

WHERE WE'VE WORKED



The year in numbers

1,700+ individuals from more than **1,000** institutions who used the PACTA scenario analysis tool to conduct **over 6,700** tests

Nearly **900** FIs with more than **USD 61 trillion in AuM** that used the PACTA tool

69+ countries represented among PACTA users

9+ governments coordinating scenario analysis

20% of the 100 largest global banks in terms of AuM testing the PACTA methodology for corporate lending

More than **32** conferences and seminars organized by 2DII in **10+ countries** in Europe, North and South America, and Asia

Staff organized or spoke at more than **140** high-level meetings, workshops, and conferences around the world

11 reports published

More than €4 million in budget

31 staff from **10+** countries as of December 2019



Our objectives & selected case studies



Objective I

Aligning financial portfolios with the Paris Agreement goals

More than 1,000 organizations, including governments, supervisory authorities, global banks, asset managers, and more, are now using the PACTA tool

Introduction

As described in the *Welcome*, since our founding in 2012, one of our overarching goals has been to introduce the concept of “portfolio alignment with climate goals” into EU regulation and voluntary practices. Seven years later, thanks in large part to some of our flagship initiatives – above all, the PACTA scenario analysis tool – a number of leading financial institutions, governments, and regulators are now taking this concept seriously.

We first began working on the PACTA tool in 2014, with funding from the European Commission (LIFE Action Grant) and the German and Swiss governments. Elaborated in partnership with key academic research players, including the Frankfurt School of Finance and the University of Zurich, and with backing from UN Principles for Responsible Investment, PACTA for investment portfolios has been available since 2018. As of the end of 2019, it has been used by financial institutions with more than USD 61 trillion in AuM, as well as by supervisors and central banks to assess their regulated entities (e.g. European Insurance and Occupational Pensions Authority, Bank of England). In 2019, we also started to make available PACTA for corporate lending portfolios, which is currently being tested by leading banks such as ING, Citi, UBS, and more.

The PACTA tool is a critical part of our efforts to help financial sector actors study the alignment of their portfolios – and in turn, begin steering towards a more positive climate impact.

Below are the case studies outlined in this chapter:

1. Paris Agreement Capital Transition Assessment Tool (PACTA)
2. PACTA for corporate lending portfolios
3. Scenario analysis & stress-testing research partnerships with governments and regulators
4. Internationally coordinated PACTA assessments with the Swiss & Dutch governments
5. Technical partnership with Climate Action 100+

Widespread uptake of the PACTA tool

Context

In September 2018, 2DII introduced the Paris Agreement Capital Transition Assessment (PACTA) tool: a free software that calculates the extent to which corporate capital expenditures and industrial assets behind a given equity, bond, or lending portfolio are aligned with various climate scenarios.



What we did

In 2018, following nearly four years of research, we launched the PACTA tool for investment portfolios, followed by PACTA for corporate lending portfolios (under road-testing in 2019).

Impact

Since the tool was launched on [TransitionMonitor.com](https://www.transitionmonitor.com), nearly 2,000 individuals from more than 1,000 institutions have used it to conduct over 6,700 tests. Overall, the total assets under management of financial institutions using the tools amounts to more than USD 61 trillion.

Key figures

- **1,700+** individuals from **more than 1,000** institutions have used the tool to conduct over **6,700 tests**
- **Nearly 900** FIs with more than **USD 61 trillion in AuM** used the tool
- Users from **69+ countries** (including 36 developed and 33 developing countries)
- **30,000+** securities covered
- **40,000+** companies covered
- **230,000+** energy-related physical assets covered

Group	Number of FIs covered	Total assets of the FIs ²
PACTA equity & bond users	879	> USD 43 trillion (<i>analyzed climate-relevant scope, based on typical ratios: approx. 8.6 trillion</i>)
PACTA lending users	17 signed up	USD 18 trillion (<i>analyzed climate-relevant scope, based on typical ratios: approx. 550 billion</i>)
PACTA – all FI users	896	> USD 61 trillion (<i>analyzed climate-relevant scope, based on typical ratios: approx. 12.2 trillion</i>)
PACTA supervisors/governments <i>(Swiss Federal Office for the Environment, a European insurance association, Federation of Colombian Insurers, EIOPA, CA Dept. of Insurance, & Dutch prudential supervisor)³</i>	Approx. 2,600	USD 14 trillion (<i>analyzed climate-relevant scope, based on typical ratios: approx. 2.8 trillion</i>)

² This amount includes all of the assets of the financial institution (including asset classes not covered by the PACTA assessment like derivatives), based on publicly available data (e.g. from [IPE](https://www.ipe.com)). It is not directly meaningful but i) it can be compared with the total assets of signatories to various pledges; and ii) it indicates the potential assets covered if PACTA is extended to other asset classes in the future.

³ Analyses with EIOPA and the European insurance association are ongoing.

Enabling climate pledges

By coining the concept of “portfolio alignment with climate goals”, and introducing it into voluntary practices and public policies, 2DII also helped empower a number of pledges and commitments that reached a peak at Climate Week NYC 2019.⁴

The main pledges are summarized below; many signatories use PACTA to analyze their portfolios.

Pledges & initiatives	No. of signatories (of which PACTA users / roadtesters)	Total assets (of which assets of PACTA users) ⁵
BANKS		
Katowice Group	5 (5)	USD 6 trillion (6 trillion)
Collective Commitment to Climate Action (CCCA)	32 (8)	USD 13 trillion (9 trillion)
Principles for Responsible Banking (PRB)	130 (17)	USD 47 trillion (18 trillion)
INVESTORS		
Net Zero Asset Owner Alliance	12 (12)	USD 2 trillion (2 trillion)
UN Principles for Responsible Investment (UNPRI)	2,699 (391)	USD 86 trillion (43 trillion)
INVESTORS AND BANKS		
PCAF signatories	55 (11)	USD 3 trillion (2.5 trillion)
COUNTRIES		
Enhancing transparency and aligning private financial flows with the Paris Agreement	9 (1)	Unknown (USD 298 billion)



The PACTA tool has received funding from the European Union's Life program under LIFE Action grant No. GIC/FR/00061 PACTA.

⁴ Numbers cited in the table are approximate, based on available data and subject to change. The table presents the total assets managed/owned by the users to enable comparability with the pledges that use this indicator. Our analysis only focuses on certain asset classes (corporate bonds, loans, and equities) and for those assets only analyses the alignment covered by energy technology roadmaps. The typical rate of assets analyzed is approximately 20% for equity, corporate bond, or corporate lending portfolios.

⁵ In line with the methodology we used to calculate the assets behind the pledges, we accounted here the total assets of the financial institution using PACTA (using sources such as [S&P Global](#)), even if only a subset of these assets were covered by the assessment. This leads to an over-estimation of volume in both cases. The previous table put these figures in perspective.

Development of PACTA for Banks

Context

In 2019, 2DII began working with a pilot group of 17 leading international banks to extend the scope of the PACTA methodology to corporate lending portfolios.

What we did

At an operational level, over the course of 2019, we carried out road tests at the 17 banks: building software on-site around their corporate lending portfolios, meeting with sector specialists, and further scrutinizing our alignment metrics. At the end of the year, we began to wrap up the pilot phase of the project. This involved finalizing the bespoke, open-source software to help facilitate the independent uptake of the PACTA analysis by any bank that wishes to measure its climate alignment and transition risk.

By Q3 2020, the finalized intellectual property rights-free, open source software will be released, enabling any bank to carry out the analysis entirely autonomously.

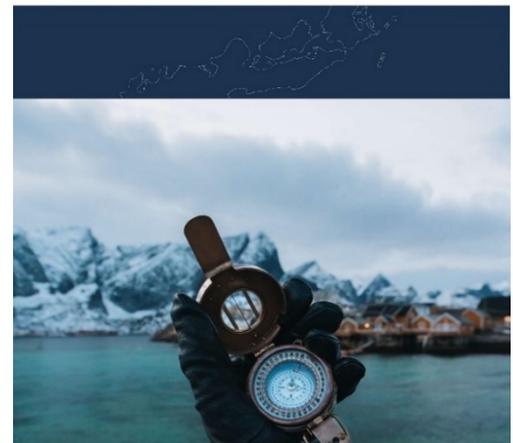
Results

The new application represents a major step forward in the banking sector's contributions to measuring climate alignment of their lending portfolios. The methodology, as well as the metrics supporting the analysis, provides users with critical insights into the climate impact of their clients' capital expenditure plans across seven carbon-intensive sectors (oil and gas, coal, power, automotive, cement, steel, and shipping).

PACTA thus targets shifts in investment of companies from high-carbon to low-carbon technologies, empowering banks to steer towards a positive climate impact. By closely examining the gaps between their lending portfolios and climate benchmarks, banks can also in time leverage the methodology for other uses, including reporting and steering towards a positive climate impact.

After its public release, we hope that the methodology will become more widely used in the banking industry. Together, the banks represent three continents (Europe, North & South America) and approximately 20% of the 100 largest banks worldwide in terms of AuM. The pilot group members are as follows:

- ABN Amro
- Bancolombia
- Barclays
- BBVA
- BNP Paribas
- Groupe BPCE
- Citi
- Credit Suisse
- ING
- Itaú Unibanco
- KBC
- Nordea
- Santander
- Société Générale
- Standard Chartered
- UBS
- UniCredit



How to measure the alignment of a bank's portfolio with climate scenarios



Above: forthcoming report that details the PACTA methodology for banking

Supported by:



based on a decision of the German Bundestag

This project is part of the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag.

Scenario analysis & stress-testing research partnerships with governments and regulators

Context

In addition to its application to the banking sector, PACTA has also established itself as the leading model for financial supervisors and central banks to run scenario analysis and climate stress tests on the entities they regulate, notably in the insurance sector. First movers include the Bank of England, the California Department of Insurance, and the European Insurance and Occupational Pensions Authority (EIOPA). As a general rule, financial supervisors publicize the high-level results and send detailed reports to each insurer to inform their supervisory dialogue. These types of partnerships are also being extended to banking supervision. As of September 2019, AuM covered by the analysis totaled more than USD 14 trillion.



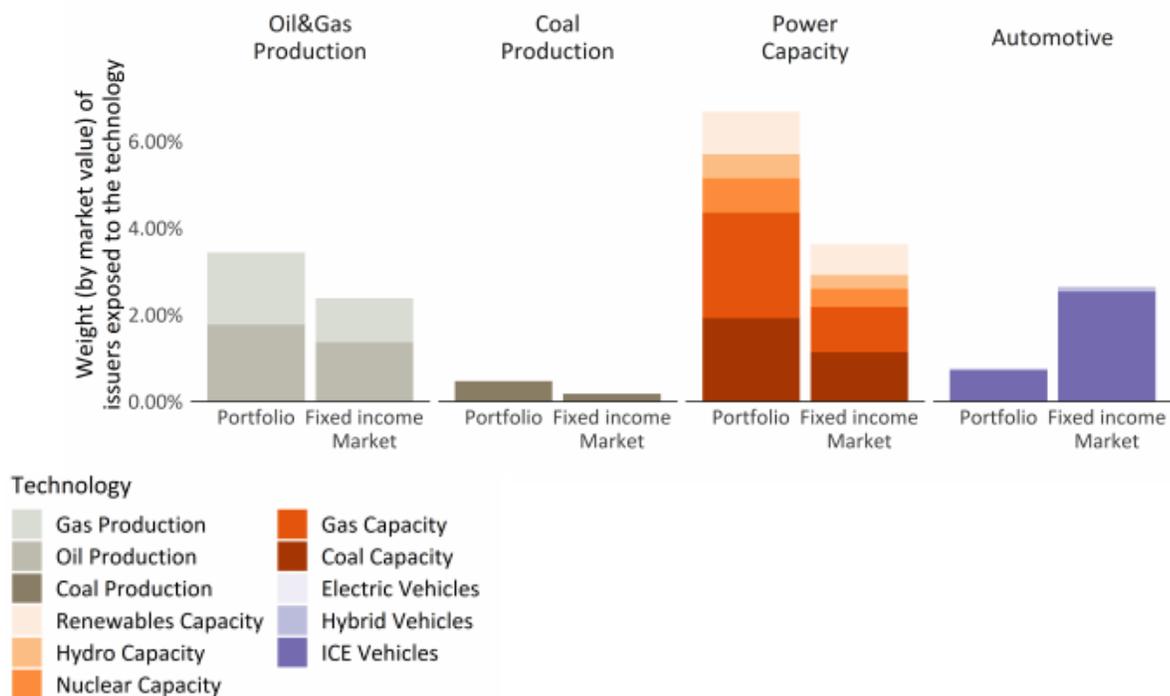
Case study I: California Department of Insurance

With critical support from the sustainability non-profit organization Ceres, 2DII has worked closely with California Insurance Commissioner Dave Jones since 2016 to help determine climate-related risk to insurance industry investment. As a first step, Ceres analyzed insurers' investment portfolios in terms of their relative exposure to fossil fuel holdings and related risk. Building on this foundation, 2DII analyzed the climate risk exposure faced by investments held by the insurance industry, the [results](#) of which were published by the CA Department of Insurance in January 2019.

The climate risk scenario analysis was the first of its kind to include analysis of transition risks as well as physical risks (such as drought, floods, and forest fires) faced by insurers' assets.

The analysis for the insurance sector revealed that insurers' assets continue to remain exposed to climate-related transition risks with the possibility of fossil fuel investments becoming stranded assets and that additional risks are faced by these assets due to climate-related physical impacts. For example, the analysis revealed that investments in coal-powered utilities are significantly exposed to wildfires and that a number of other assets in which insurers invest could be adversely impacted by water scarcity.

The figure below shows the estimated percent of the fixed income portfolio currently exposed to activities across the fossil fuel, power, and automotive sectors (compared to the fixed income market)



Case study II: EIOPA

Our partnership with EIOPA aims to identify and quantify potential climate transition vulnerabilities in the portfolio of European insurers and covers the \$10 trillion in AUM that is managed by insurers on their asset side.



The foreseen outputs comprise two separate analyses:

1. An analysis of the current asset holdings of European insurers to identify the extent to which their portfolio is consistent with a 2- and 1.5°C increase in global temperatures, respectively, and in line with the Paris climate agreement. The analysis will be designed to track the extent to which insurance companies' portfolios are 'accumulating' or 'reducing' transition risk.
2. A quantitative analysis of the total exposure to 'transition risks' of the portfolios and potential losses in case of abrupt fall in prices on assets that are climate-relevant. It will also evaluate the potential magnitude of re-valuation under a late and sudden transition (i.e. a scenario sensitivity stress test). This analysis will be supported by a narrative explaining how the potential losses would materialize.



Internationally coordinated PACTA assessments with the Swiss & Dutch governments



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Office for the Environment FOEN

Context

Ahead of the UN Climate Action Summit in New York, Switzerland and the Netherlands presented an initiative on how public and private investments can be tested for climate compatibility and aligned with the Paris Agreement's 1.5°C target. Representatives of several European countries, including Denmark, Italy, Luxembourg, Norway, Portugal, Spain, and Sweden, responded to their call, and signed up to coordinate joint climate assessments.

What we did

The 2° Investing Initiative has been providing key support to this pledge via the PACTA climate scenario analysis methodology, which governments are using to assess listed equity and corporate bonds.

Operationally, in November 2019, the 2° Investing Initiative held a series of workshops to present the PACTA methodology and project plan to Swiss investors, as well as representatives of the countries that signed the pledge. Based on their feedback, in early 2020, 2DII presented a revised project plan to representatives of eight participating countries. As of March 2020, the coordinated PACTA assessment was ready to get off the ground, starting with the Swiss assessment.

Results

This exercise builds on our earlier, voluntary pilot project with Swiss pension funds and insurance companies in 2017. It also incorporates new insights from our partnership with ING and 16 other banks to test the methodology for corporate lending.

The enhanced version of the PACTA model will offer:

1. The consideration of climate actions in addition to portfolio exposure
2. The ability to consider corporate loans' climate goal alignment, and therefore make the test available for banks with global loan books
3. A target-setting framework to be finalized in 2020
4. A new tool to measure climate alignment of Swiss real estate and mortgage portfolios.

In addition to further enhancing the PACTA tool, this coordinated assessment is another step towards furthering the goals of the Paris Agreement. Already, committed governments include some of the world's biggest financial hubs, and we look forward to welcoming additional joiners in 2020.

Technical partnership with Climate Action100+

Context

[Climate Action 100+](#) (CA100+) is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.



The Climate Action 100+ Technical Advisory Group (TAG) was established to develop a set of indicators and an analytical framework. The TAG comprises some of the world's leading organizations focused on corporate climate performance: 2° Investing Initiative, Carbon Tracker Initiative, InfluenceMap, and Transition Pathway Initiative.

What we did

As Technical Partner to the CA100+ consortium, 2DII used the PACTA methodology to create profiles of individual companies in the electric utilities and automotive sectors. The profiles provide a forward-looking, quantitative analysis of the alignment of the company's assets and investment/production plans with a range of climate scenarios.

Results

2DII's company assessment indicators help ensure that CA100+ signatories have access to the most accurate, complete information about company performance against the three goals of the initiative. In turn, this empowers CA100+ to smartly engage with the 161 focus companies to take critical action on climate change.

This project has received support from Bloomberg Philanthropies.



Working with governments and policymakers to help align regulatory frameworks with climate objectives

Among other initiatives, new €18 million project launched to implement the European sustainable finance action plan in France

Introduction

Since our inception, 2DII has worked closely with key government entities to help put sustainable finance squarely on the regulatory agenda. Among other highlights, we have helped contribute to some of the world's first sustainable finance policies, including France's Article 173 on climate-related disclosures, in addition to the first report commissioned by the European Commission on sustainable finance and EC High-Level Expert Group (HLEG) recommendations on disclosure, supervisors and retail investors. As well, as mentioned in the previous chapter, we have worked with leading supervisors such as EIOPA on portfolio analysis and risk management.

As a think tank that was “born” in France, we were proud to see our policy work come full circle when we launched the Finance ClimAct project to help implement the European sustainable finance action plan in France. With a budget of more than €18 million (including €10 million co-financed by the European commission), and a scope of work that will last for more than 5 years, the project could help turn France into a blueprint for further advancing sustainable finance goals throughout Europe.

However, our policy work goes further than the French borders. In 2019, we also worked closely with the Bank of England, developing one of the first climate stress-testing methodologies allowing financial institutions to assess the vulnerabilities of their portfolios to adverse scenarios. This built on our previous work with supervisors such as the California Insurance Department to help their regulated entities better understand and adapt to the risks posed by climate change.

Finally, in 2019 we worked with two French government agencies, Eurosif, and European Commission DG-FISMA to organize the International Climate Reporting Awards. Open to financial institutions from around the world, the awards help to raise awareness and build best practices in climate reporting and disclosures.

The main case studies in this chapter are laid out below. Meanwhile, other policy-relevant case studies in other chapters include our engagement work in Latin America and our PACTA work with supervisors, just to name a few.

1. Finance ClimAct
2. Climate stress-testing for the Bank of England
3. International Climate Reporting Awards

Finance ClimAct: working to align the French & European sustainable finance action plans

Context

The Finance ClimAct project aims to align the French and European action plans on sustainable finance and to strengthen French positioning on this topic. Launched in 2019 for a period of five years, it has a total budget of €18 million, including €10 million co-financed by the European Commission. This project has received funding from the European Union's Life IP program.

L'Agence de la Transition Ecologique (ADEME)/ the French Ecological Transition Agency is leading the project in collaboration with the Commissariat Général au Développement Durable (CGDD)/General Commission for Sustainable Development, the Autorité des Marchés Financiers (AMF)/French Market Authority, the Autorité de Contrôle Prudentiel et de Résolution (ACPR)/French Prudential Authority, 2DII, as well as other private sector partners (GreenFlex, Finance for Tomorrow, and the Institute for Climate Economics (I4CE)).



What we did:

In collaboration with ADEME, 2^o Investing Initiative devised the initial blueprint for the project. 2DII is leveraging its European Commission-funded research on enabling meaningful decarbonization plans in the finance sector through climate scenario analysis and target setting, revealing retail clients' environmental objectives, and introducing long-term risk supervision. As the EC High-Level Expert Group (HLEG) member that helped design recommendations on climate disclosures and financial advice, 2DII is also contributing to transforming the French market into a pilot market for these topics.

Results:

2DII's role in the project spans three main axes:

- Capacity-building on topics including climate scenario analysis, stress testing, and climate-related disclosures. The program notably builds on the EC-funded research and stress tests we co-developed with the Bank of England, European Insurance & Occupational Pensions Authority (EIOPA) and other regulators.
- 2DII and ADEME are supporting French financial institutions in adopting climate targets and decarbonization plans as laid out under Article 173. This program will build on the deployment of 2DII's PACTA climate scenario analysis methodology, which has already been used by an array of leading French banks and investors, in addition to more than 1,000 institutions worldwide.
- 2DII and partners are promoting the integration of sustainability considerations into financial advice and product information. The program notably involves consumer research on non-financial investment objectives, the design of a 'template' suitability questionnaire, the launch of a free online financial advisory tool, and development of a framework for assessing the accuracy of product manufacturers' environmental impact claims. This will build on 2DII's pioneering work in studying retail investors' sustainability preferences.

Climate stress-testing for the Bank of England

Context

In the speech that he gave to the European Commission on March 21st, 2019, Mark Carney, the governor of the Bank of England, highlighted the need for financial supervisors to conduct climate stress-tests to assess the resilience of their regulated entities to such risks. He called on them to consider the eventuality of a “Climate Minsky moment” – i.e., a sudden materialization of climate risks. When this speech was given, no agreed-upon methodology was yet available to conduct such a stress-test. In response, in 2019, 2DII decided to tackle this issue by developing a methodology that financial supervisors could follow to build ‘late & sudden’ transition scenarios, which could be used as input into either traditional or climate-specific stress-tests of regulated entities.



What we did

2DII developed one of the first climate stress-testing methodologies allowing financial institutions to assess the vulnerabilities of their portfolios to adverse climate change and energy transition scenarios. The methodology is summarized in our April 2019 report, “[Storm Ahead: A proposal for a climate stress-test scenario](#)”.⁶

Results

This work highly informed the Bank of England’s 2020 climate stress-test for insurance companies, which was launched on June 18th, 2019 and is now hosted on the Transition Monitor platform. The stress-test results can be generated in combination with an Excel tool developed by 2DII and the online PACTA scenario analysis tool.

This project has received funding from the European Union’s Life NGO program under grant agreement No LIFE17 NGO FPA 2017/FR/000020

It has also received support from the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag.



Supported by:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety



based on a decision of the German Bundestag

⁶ https://2degrees-investing.org/wp-content/uploads/2019/02/Stress-test-report_V2.pdf

International Climate Reporting Awards

Context

The International Awards for Climate-related Disclosures by Financial Institutions were jointly organized by ADEME and CGDD, with the support of the European Sustainable Investment Forum (Eurosif) and the European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

The French Government held the inaugural edition of the Awards in 2016 and will hold them annually from 2019 through 2021. The awards recognize leading practices in climate-related reporting of financial institutions, as well as build on the ongoing work of the European Commission (EC) and other initiatives.

What we did

2DII managed the day-to-day organization of the Awards on behalf of ADEME and the CGDD. This involved the development of the criteria and scoring methodology, the pre-scoring of all applications and the recruitment and management of a jury. 2DII also oversaw the organization and delivery of the awards event, held at the Ministère de la transition écologique et solidaire in November 2019.

Results

Six financial institutions based in France, the United States and Australia were recognized:



- **Pillar 1:** Climate-related integration into overall strategy, governance, & engagement: **Aviva France**
- **Pillar 2:** Climate risk exposure assessment and management: **Citi & Allianz France**
- **Pillar 3:** Alignment and contribution to the Paris goals: **Ircantec**
- **Pillar 4:** Climate-related communication plan to clients and beneficiaries: **AXA**
- **Jury's Special Prize:** **Australian Ethical** (having been shortlisted under two of the pillars)

Below: photo of the 2019 winners & organizers, including Diane Simiu (Assistant to the Commissioner General for Sustainable Development); Arnaud Leroy (ADEME); Simon Messenger (2DII). Not pictured: Olivier Guersent (DG FISMA); Noam Leandri (ADEME).



Enabling the financial sector to drive the transition to a low-carbon economy

Devising innovative new tools and engaging with stakeholders in critical emerging markets

Introduction

One of the long-term goals of the Paris Agreement is the commitment to “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” (Article 2.1c). However, in non-expert circles, this goal doesn’t receive as much attention as the other two long-term objectives: to limit global temperature rises and to increase the ability to adapt to climate impact.

Indeed, the finance sector will be critical to achieving these last two goals, and to driving the global transition to a low-carbon economy. This is why 2DII aims to help enable key finance sector actors – investors and other financial institutions, government and regulatory organizations, and more – to enhance their contributions to the Paris objectives.

In 2019, we worked on this topic in a number of ways. One of these involved devising and launching a new tool with support from Climate-KIC and in partnership with Beyond Ratings, to help provide a “roadmap” of what investments are needed to help achieve the Paris Agreement objectives. In addition, we carried out more wide-ranging research and engagement efforts, notably in Latin America. As the region is set to suffer from severe effects of climate change, we worked closely with two federations in Colombia and Mexico on scenario analysis and other topics.

Globally, all of these projects helped further our overall goal of equipping finance sector players with the tools and knowledge they need to hasten the transition to a low-carbon economy.

Case studies in this chapter:

1. Climate Tech Compass
2. Engagement with stakeholders in Latin America
3. ISO 14097: Framework including principles and requirements for assessing and reporting investments and financing activities related to climate change

Climate Tech Compass: helping investors contribute to the Paris Agreement

Context

In 2019, 2DII began working with data provider Beyond Ratings to devise a new methodology known as the Climate Tech Compass. The Compass provides a roadmap of investments, energy capacity, and emissions – by sector, technology, and country – in order to achieve the 2°C target.

**BEYOND
RATINGS**



What we did

The methodology recognizes that each sector has a specific transition pathway, or technology roadmap, for it to contribute to the Paris Agreement goals. It covers high-emission sectors where technological change and greenhouse gas reductions will be most critical (automotive, aviation, shipping, power generation, cement, steel, agriculture, real estate).

Operationally, the platform combines 2DII’s high-resolution database of physical assets with Beyond Ratings’ Climate Liabilities Assessment Integrated Methodology (CLAIM) in a new, innovative methodology.

The model takes into account long-term drivers, like economic growth and population (derived from the CLAIM methodology). The model behind the Climate technology compass tool allows an in-depth benchmarking of NDCs. The objective is the compliance with national targets in 2030 in order to correspond to the majority of NDC objectives, but with the possibility to extend it to 2050. The Compass is now available via the PACTA Transition Monitor [website](#).⁷

Results

Thanks to the Climate Tech Compass, investors can for the first time critically examine where they should direct their financing, in addition to assessing the risk of [stranded assets](#)⁸ (assets that turn out to be worth less than expected as a result of changes associated with the energy transition). The Compass also helps governments design their [Nationally Determined Contributions](#) (NDCs)⁹ to the Paris Agreement, which are efforts by each country to reduce national emissions and adapt to the impacts of climate change.

The Compass has been developed with support from EIT Climate-KIC, the EU’s main climate innovation initiative.



⁷ <https://compass.transitionmonitor.org/>

⁸ <https://www.carbontracker.org/terms/stranded-assets/>

⁹ <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs>

Engagement with federations and other stakeholders in Latin America

Context

The integration of climate-related issues by financial market participants in emerging markets is in the early stages. However, climate change is set to deeply impact their core business activities. To address current gaps in the integration of climate change by emerging market actors, 2DII has mobilized funding aiming to:

- Adapt and apply existing assessment tools on portfolio alignment and stress testing;
- Provide capacity building in partnership with local actors; and
- Develop reports and other reference materials to address regional or country specific needs.

To implement this work, 2DII has capitalized on its existing networks and infrastructure for developed markets, and expanded its network to supervisory authorities, industry associations, ministries, NGOs, financial institutions, and consulting companies in at least nine emerging market countries.

What we did

In 2019, 2DII partnered with two financial industry associations to adapt and apply the PACTA scenario analysis tool to the portfolios of Colombian insurers and Mexican asset managers. The portfolios of 71 investors with a total of USD 109 billion in AUM were assessed through these partnerships, covering 100% of the Colombian insurers' investments and 80% of Mexican asset managers' investments. Reports presenting the results will be published in 2020.

To bring investors up to speed on the topic, we carried out 5 workshops in partnership with local consultants. Presentations from supervisory authorities, environment institutions and investors were included as part of the program. Concepts related to carbon budgets, types of climate-related risks and mitigation scenarios, amongst others were reviewed as part of these workshops.

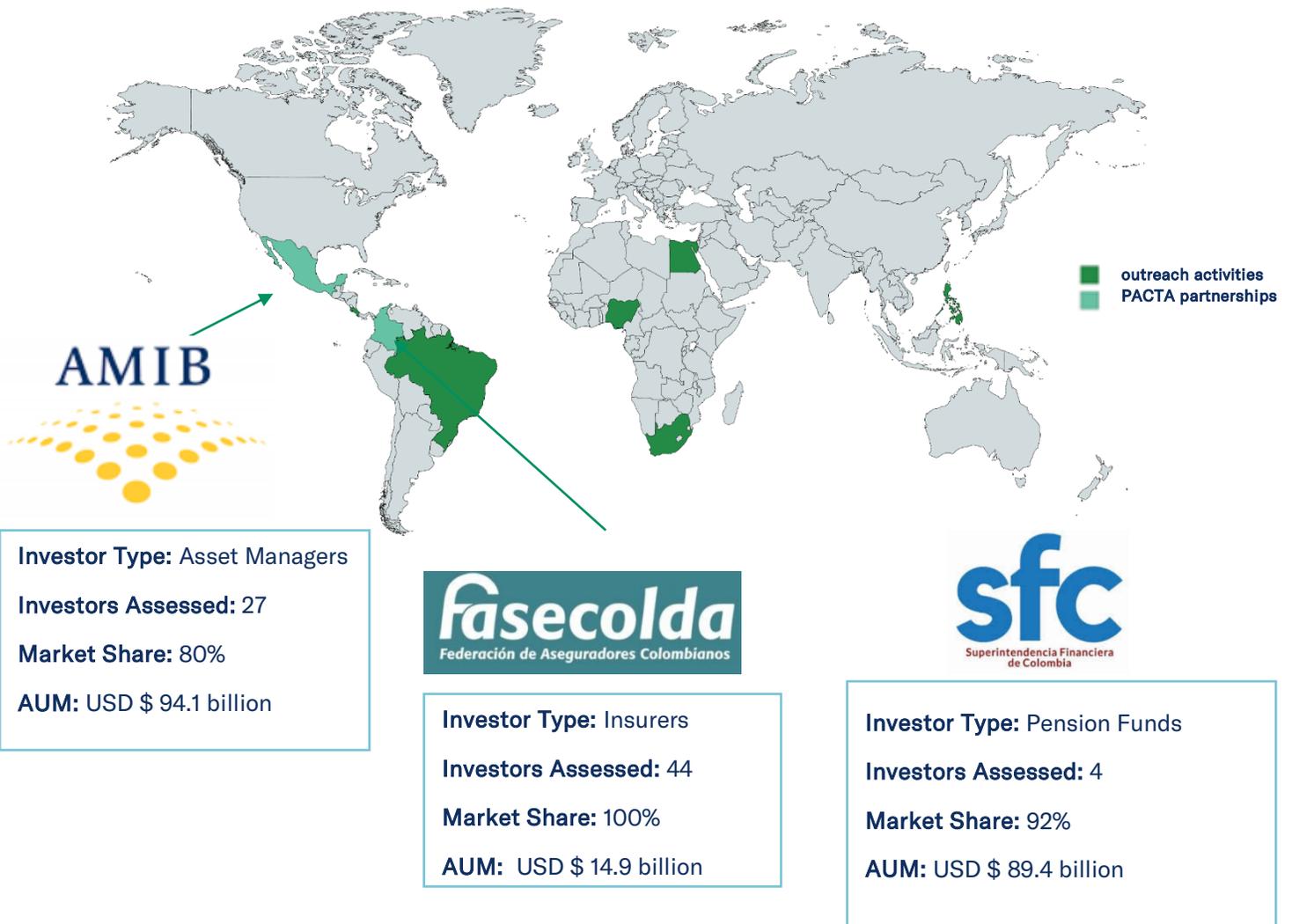
Impact

2DII also partnered with the Colombian Supervisory Authority to assess the exposure of pension funds to transition risk. The project includes the application of the PACTA scenario analysis tool as well as 2DII's stress testing tool. It will be finalized in 2020.

We are currently in conversations with at least four other industry associations and supervisory authorities to develop similar projects in 2020. 2DII also partnered with the Inter-American Development Bank to develop a first piece of research to provide quantitative evidence on the potential exposure to transition risks of financial institutions in Latin America. This is the first report of its kind in the region. It addresses supervisory authorities' and ministries' needs to integrate climate change in their agendas. The report will be published in 2020.

Finally, in addition to our partnerships in Colombia and Mexico, 2DII also performed outreach in other target markets in an effort to further expand our engagements:

- Brazil
- Costa Rica
- Egypt
- Nigeria
- Philippines
- South Africa



This project is part of the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag.

Supported by:



based on a decision of the German Bundestag

ISO 14097: Framework including principles and requirements for assessing and reporting investments and financing activities related to climate change

Context

The ISO 14097 standard is a new framework including principles and requirements for assessing and reporting investments and financing activities regarding climate change.



The standard responds directly to a growing problem: while sustainable finance is a burgeoning field, standards and other frameworks for measuring and reporting the impacts of investment activities are still in their infancy. Without agreed-upon standards, investing and financing activities related to climate change run the risk of greenwashing, leaving investors and regulators with little information about the impact of their activities. In response, the future ISO 14097 Standard aims to create a common framework for assessing and reporting financing and investment activities related to climate change.

What we did

2DII co-convoked the working group alongside the UN Framework Convention on Climate Change (UNFCCC) Secretariat and with support from AFNOR (the French standardization association). Three week-long working group meetings were held in Switzerland, Germany and France in 2019. Altogether, the working group counts 111 members with representatives from the European Commission, ADEME, Groupe BPCE, and more.

Impact

Over the course of the year, 2DII wrote the next stage of the standard, working closely with UNFCCC and other stakeholders. The ISO 14097 is now in DIS format, which means it was put out for consultation in early 2020. The final version of the standard will be published in 2021, following additional rounds of consultation and feedback.



Supported by:



based on a decision of the German Bundestag

This project has received funding via the InvECAT project, which is supported by the European Union's Horizon 2020 research and innovation program under grant agreement No 785087.

It has also received support from the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag.



Objective IV

Supporting retail investors who want to make a positive climate impact with their money

New workstreams on sustainable retail investing and consumer protection

Introduction

Retail investors should play a critical role in the shift towards a more sustainable financial system, with European households owning roughly 30% of total financial assets at the end of 2017. Additionally, multiple studies and our own research shows that the majority of them wish to have a positive impact with their money and to invest sustainably.

However, a number of obstacles prevent retail investors from realizing their social and environmental objectives. These include financial advisors' ignorance of clients' sustainability objectives and failure to integrate them into investment strategies; the lack of suitable products on the market; and greenwashing regarding various investment funds' impact.

In order to address these issues, 2^o Investing Initiative launched a series of workstreams in 2019 focused on the retail investing market (notably in Europe).

Thus far, our research has focused on the three main topics below:

- **Market research** – aiming to deepen our understanding of consumers' sustainability preferences and the market gap
- **Responsible marketing and distribution** – aiming to prevent mis-selling of unsuitable financial products to consumers who wish to have an environmental impact
- **Suitability assessment research** – aiming to ensure financial advisors ask the right questions and market the right products to their clients

The case studies outlined in this chapter include:

1. Retail investors would “vote for the Paris Agreement”
2. Retail investing & consumer protection research program

Retail investors would “vote for the Paris Agreement”

Context

Today, retail investors in mutual funds, life insurance products, pension funds, etc. are not consulted on the way they want their shareholder rights to be used. Voting power is in the hands of the asset owner or asset manager and is usually used in a way that ignores the non-financial preferences of end clients.

This project aimed to help retail investors ‘vote’ with their money and turn their willingness to support the Paris Agreement into binding constraints for asset owners and asset managers to use their shareholder voting rights in support of ‘2°C alignment’ at annual general meetings (AGMs) of listed companies.

What we did

Our activities under this project involved the release of two technical papers together with associated stakeholder engagement.

*Passing the Baton*¹⁰ analyzed the growth of climate resolutions, the level of support when voted on at general meetings, and how this intersects with the notion of Paris alignment of investor portfolios. In this paper we articulated a tentative classification framework for climate resolutions which can be used to analyze this field.

*Retail Clients Want to Vote for Paris*¹¹ summarized our research on retail investor voting preferences and whether they would support climate resolutions. It analyzed the barriers to retail investor voting preferences being acted upon and put forward policy recommendations to address these barriers.

Impact

The reports resulted in the following policy recommendations, in an aim to inform the European Commission’s ongoing review of relevant financial regulations:

1. Clarify that the suitability assessment should address retail investor voting preferences (on climate resolutions and broader ESG resolutions) to achieve investment objectives
2. Provide guidance to ensure that voting behavior of financial intermediaries in the investment chain for a financial product is addressed in the suitability assessment
3. Ensure that disclosure on engagement policies by financial intermediaries is based on simple frameworks to facilitate intuitive understanding by retail investors
4. Recognize the key role of proxy advisors for voting administration and provide guidance to ensure proxy voting policies are addressed in the suitability assessment

The Vote for Paris project has received support from EIT Climate-KIC, the EU’s main climate innovation initiative.



¹⁰ https://2degrees-investing.org/wp-content/uploads/2019/12/2DII_Shareholder_Resolutions_Report_Passing_the_Baton.pdf

¹¹ <https://2degrees-investing.org/wp-content/uploads/2020/03/Retail-Clients-Want-to-Vote-for-Paris-1.pdf>

Retail investing & consumer protection research program

Context

As the ultimate asset owners and beneficiaries, consumers play a critical role in mobilizing capital providers to align their investment decisions with the Paris Agreement goals. In addition, market research shows that the majority of consumers wish to invest sustainably. However, our research suggests that retail investors face a number of barriers to achieving their green investment goals, including mismatch between product demand and offering, greenwashing, and more.

Currently, the European Commission is working on a series of reforms to address these issues, which should eventually transform the retail investing market. The objective of our program is to help support and accelerate this transformation in Europe and beyond, via a multi-disciplinary approach including consumer research, behavioral finance, legal and regulatory analysis, policy work, methodological and data work, and software development.

What we did

Our work focuses on three key axes:

- Developing market research to consolidate and develop knowledge on retail clients' "non-financial" investment objectives and related behavior;
- Promoting responsible marketing and distribution regarding sustainability and impact-related financial products, to help prevent mis-selling and greenwashing;
- Developing research and tools in order to align financial advisors' recommendations and retail clients' expectations.

We have worked with leading research partners in this field, including Maastricht University, University of Zurich, the Behavioral Insights Company, Better Finance, and WWF.

Impact

In 2019, we worked on a number of initiatives linked with the Finance ClimAct program, a multi-year program that aims to align the French and European action plans on sustainable finance. For instance, we carried out quantitative and qualitative surveys on consumers' non-financial objectives, as well as organizing dozens of mystery shopping visits in French financial institutions to assess the level of integration of ESG preferences into suitability tests.

We also analyzed 230 sustainability-related European retail funds and assessed the compliance of their environmental marketing claims in light of EU consumer protection regulatory guidance. Our findings have since been published in a series of retail reports, where we document a massive gap between most retail investors' expectations and the products on the market. In addition to these findings, we identified major misalignments with the EU guidance on environmental claims and the MIFID suitability assessment requirements.

As well as these research reports, in early 2020 we [provided feedback](#)¹² to the European Commission's consultation on the Ecolabel for Financial products, where we concluded that the Ecolabel is critically flawed and will only further enable unsubstantiated, potentially deceptive environmental impact claims.

Our retail work has received support from the Hewlett Foundation and the European Union's Life IP program. The European Commission is not responsible for any use that may be made of the information contained here.



¹² <https://2degrees-investing.org/resource/ecolabel-note/>

An aerial photograph of Paris, France, taken during the golden hour of sunset. The Eiffel Tower is prominent in the lower-left foreground, its structure silhouetted against the bright orange and yellow sky. The city's dense urban landscape, characterized by multi-story buildings with blue-tiled roofs, stretches out towards the horizon. The overall atmosphere is warm and scenic.

Improving our global communications & stakeholder engagement



Part I

Communications, stakeholder engagement, & events

Overview – media coverage

2019 saw steady improvement on all communications metrics in comparison with previous years – including volume and quality of media coverage, stakeholder engagement, and social media engagement. Over the course of the year, 2DII garnered regular news coverage on all key industry publications (Responsible Investor, Environmental Finance, Investment & Pensions Europe).

We published op-eds on topics including the PACTA methodology for banking, the EU’s green taxonomy, and green bonds on platforms including Ethical Corporation, Project Syndicate, and Responsible Investor.

In total, the number of articles published more than doubled vs. the previous year.



Sampling of notable news coverage

- **Bloomberg:** [Banks Need to Lead the Fight Against Climate Change](#)
- **Environmental Finance:** [2° Investing Initiative, Beyond Ratings launch new climate target investment tool](#)
- **Le Figaro:** [La Commission européenne soutient « Finance ClimAct »](#)
- **Novethic:** [Six lauréats mis à l'honneur à l'occasion de la remise des Prix internationaux du reporting climatique](#)
- **Reuters:** [Sustainable Investing Will Wind Up in the Dock](#)

Sampling of notable op-eds

- **Ethical Corporation:** [Tackling the last frontier in climate finance](#)
- **Environmental Finance:** [In response to accusations that Enel's SDG bond was greenwashing](#)
- **Responsible Investor:** [Comment: consumers reject the EU's green bond framework for good reason](#)
- **Project Syndicate:** [The EU's Risky Green Taxonomy](#)

Newsletter & social media engagement

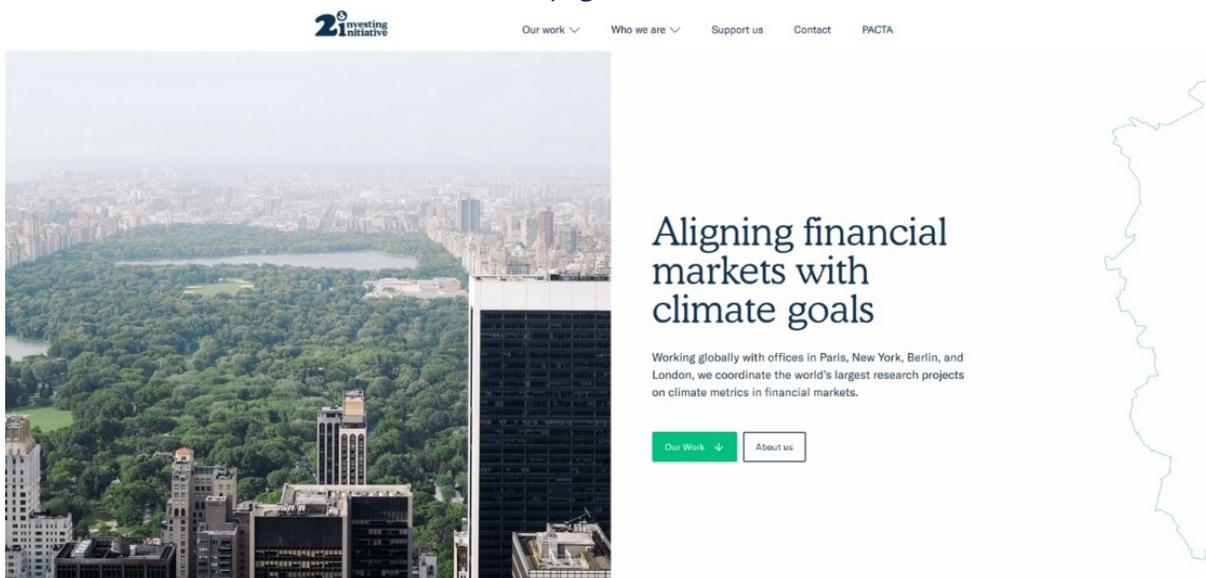
The year also saw significant improvements in engagement with key stakeholders via our newsletter and on social media. Subscribers to our mailing list grew by nearly 40% over the course of the year, while followers on LinkedIn and Twitter rose by approximately 15% and 50% respectively. Additionally, engagement is relatively strong, with more than one-third of subscribers regularly opening our newsletters (vs. 21% average across all industries).¹³

New website launch

Starting in October 2019, 2DII began to work on a new website in order to better present our work and reach our stakeholders. The site features an improved user experience, easier navigability, and more modern design.

The development and launch of our new website in late 2019 / early 2020 has further enhanced our ability to present our research and reach out to key stakeholders. Following launch of the site, the number of visitors, session duration, and bounce rate significantly improved, with a record number of visitors logged in March 2020.

Below: screenshot of the new website's homepage



¹³ Calculations based on data consolidated from Mailchimp, LinkedIn, Google, and Twitter Analytics. Data available upon request.

Stakeholder engagement & events

In 2019, 2DII organized or spoke at a total of 141 events, conferences, webinars, and workshops in 22 countries: Austria, Belgium, Brazil, Chile, Colombia, Egypt, Finland, France, Germany, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, Norway, South Africa, Spain, Sweden, Switzerland, UK, and US.

In total, these events had more than 3,500 participants from key stakeholder institutions, including government agencies, UN offices, NGOs and financial institutions. These included all of the flagship events in the sustainable finance sector, including the Principles for Responsible Investment in Person forum, New York Climate Week, COP25, and Climate Finance Day.

In total, 2DII organized 32 events, workshops, and/or webinars over the course of the year, in partnership with institutions such as the European Insurance & Occupational Pensions Authority (EIOPA), the Swiss Environment Ministry, WWF, the Japan Financial Services Agency, and InfluenceMap.

Events in 2019: a selection

In June 2019, 2DII organized a high-level workshop in Corsica, “**Climate-Impact Related Claims and Pledges in the Finance Sector: Designing a Technical and Responsible Marketing Framework.**” The workshop brought together a group of 20 high-level experts representing financial institutions, NGOs and wider civil society organizations. Attendees participated in a series of roundtable sessions to discuss, develop, and debate minimum potential standards for the industry to assess the impact of investments and set credible targets. The overall goal of the seminar was to gain an understanding of the market’s views and identify what would be the next critical steps to take action on these themes.

In another high-level seminar, held in August 2019 in Milan, 2DII convened senior staff, board members, and stakeholders from a wide variety of partner organizations (Ceres, Carbon Tracker, ING). Entitled “**Reaching the Age of Reason: What’s Next for Sustainable Finance & 2DII?**”, the aim of the seminar was to debate key questions in the sector and to determine a strategic plan for 2DII’s research focus in the next 1-5 years.

In a series of roundtable discussions, participants debated topics such as ways to build evidence on impact of sustainable finance; risks posed by misleading marketing claims; and 2DII’s positioning in the ecosystem.

In addition to organizing seminars and workshops, 2DII also held a number of conferences, webinars, and other events for a broader swathe of the public. For instance, during NY Climate Week, 2DII organized a technical discussion in partnership with ING, entitled “**Bridging the gap: from portfolio alignment to impact,**” which focused on evidence-based and impact-oriented targets.



Later in the year, ahead of Climate Finance Day in Paris, 2DII co-organized the prize ceremony for the International Climate Reporting Awards, in partnership with ADEME and CGDD. That same day, we also held a workshop, “**Beyond alignment – monitoring the financing of the energy transition,**” where we unveiled the new Climate Tech Compass in partnership with Beyond Ratings.

Above: representatives from 2DII, Citi, AXA and the Sustainability Accounting Standards Board (SASB) leading a roundtable discussion at the 2019 Climate Reporting Awards

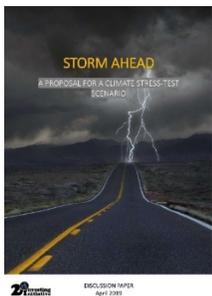


Part II

Our publications

Overview

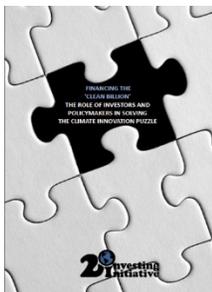
In 2019, we published a total of 11 reports, including two by peer-reviewed journals, two in collaboration with partner organizations (InfluenceMap and the Colombian Insurance Federation), as well as contributions to a scenario analysis report by BlackRock.



[Storm Ahead: A Proposal for a Climate Stress-Test Scenario](#)



[Sustainability Improvement Loans: A Risk-Based Approach to Changing Capital Requirements in Favour of Sustainability Outcomes](#)



[Financing the 'Clean Billion': The Role of Investors and Policymakers in Solving the Climate Innovation Puzzle](#)



Impact Washing Gets a Free Ride: An Analysis of the Draft EU Ecolabel Criteria for Financial Products



Into the Fire... Financial Supervision in a Post-Crisis / Pre-Crisis World



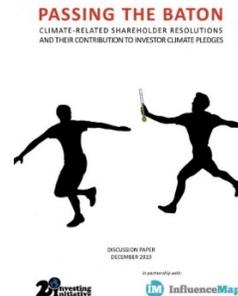
Implications of Climate Change for Risk Management (Revista Fasecolda)



The Alignment of Global Equity and Corporate Bonds Markets with the Paris Agreement: A New Accounting Framework (Journal of Applied Accounting Research)



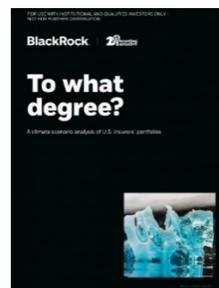
Do You Manage What You Measure? (Journal of Sustainable Finance & Investment)



Passing the Baton: Climate-Related Shareholder Resolutions & their Contribution to Investor Climate Pledges



FinanceMap: Asset Managers & Climate Change (contributions to a study with InfluenceMap)



To What Degree? A Climate Scenario Analysis of U.S. Insurers' Portfolios (contributions to a BlackRock report)



Operations & financials

Board

The 2° Investing Initiative (France) is directed by a Board of Administrators which is elected by the members and represented by the president and treasurer. The first board was elected in 2013. The US and German entities are governed by boards of individuals (launched in 2015 and 2016 respectively).

The three entities are affiliated, implementing the same work program and pooling their resources and incomes. The lists below comprise the board members as of 31 December 2019.

Board members of 2DII France

- **Hugues Chenet (President)**
- **AXA (represented by Sylvain Vanston – Treasurer)**
- **Institut Louis Bachelier (represented by Stéphane Voisin)**
- **Robin Edme**
- **Lucie Pinson**

Board members of 2DII US

- **Gabriel Thoumi (President)**
- **Tricia Jamison (Treasurer)**
- **Ilmi Granoff**
- **Dave Jones**
- **Sue Reid**
- **Clara Vondrich**

Board members of 2DII Germany

- **Raphael Schoettler (Treasurer)**
- **José Gabriel Delgado Jiménez**
- **Jakob Thomä**
- **Nicole Röttmer**

Team

On 31 December 2019, our staff counted a total of 31 full-time employees and in-house consultants hailing from **10+ countries**, supported by a close cohort of external consultants, advisors, and interns. They are listed below by office.

Not listed below: external consultants, advisors, and interns.

Paris (10 staff)

- **Simon Messenger**, Director France & UK
- **David Cooke**, Policy Manager
- **Gabrielle Couderc**, Head of Operations & Finance
- **Emmanuelle Gauthey**, PA & Events Manager
- **Noémie Klein**, CEO Asset Resolution
- **Catherine McNally**, Communications Manager
- **Laura Ramirez**, Programme Manager for Emerging Markets
- **Pablo Felmer Roa**, Senior Legal Advisor
- **Thierry Santacruz**, Analyst
- **Emmeline Stein**, Analyst

Berlin (13 staff)

- **Jakob Thomä**, Managing Director

- **Constanze Bayer**, Analyst
- **Andreas Büchler**, Analyst
- **Diana Catoquessa**, Office Manager
- **Klaus Hagedorn**, Senior Analyst - Project Manager
- **Michael Hayne**, Senior Analyst
- **Jackson Hoffart**, Analyst
- **Vincent Jerosch-Herold**, Analyst
- **Nicola Koch**, Project Manager, NKI Retail
- **Daan Koopman**, Data Scientist
- **Clare Murray**, Analyst - Project Manager
- **Pranav Pandya**, Data Scientist
- **CJ Yetman**, Software Developer

New York (6 staff)

- **Stan Dupré**, CEO and co-founder
- **Alex Axthelm**, Data Scientist
- **Evan Deutsch**, Head of data engineering
- **Mauro Lepore**, Software Developer
- **Sarah Mendelsohn**, Project Manager
- **Taylor Posey**, Data Engineer

London (2 staff)

- **George Harris**, Analyst
- **Florence Palandri**, Analyst

We would like to thank our other staff who supported 2DII over the course of the year:

- **Magdalena Blum-Oeste**, Project Assistant, Berlin
- **Frédérique Hage**, Office Manager, Paris
- **Anuschka Hilke**, Senior Analyst, Paris
- **Martin Jakob**, Analyst, Berlin
- **Vitaly Komar**, Consultant, Berlin
- **Kelley Luyken**, Analyst, Berlin
- **Mariana Nunes**, Analyst, Paris
- **Hanying Yang (Tina)**, Analyst, New York

Key figures – staffing

NOTE: All figures exclude external consultants, interns, and apprentices. Calculations are made on the basis of employees and in-house consultants present in the team on 31 December 2019.

Staff development over the years

In 2019, 2DII was awarded a number of new project proposals, which in turn required us to boost our staffing. In total, the networks staff grew from 23 to 31 over the course of the year.

Since 2016, our staff has grown by 166%, notably driven by the hiring of tech profiles (data scientists, software developers). As of the end of 2019, the gender balance across all offices was 65% male / 35% female.

Evolution of staffing of 2DII offices



2020 operations perspective

In 2020, 2DII will continue to develop its international reach through by strengthening operations in each entity and by increasing collaboration across the network. In addition, 2DII will continue to develop its core operations, expanding its programmes of work in East Asia and Latin America.

Across all the entities, the organisation will be restructured to enable stronger ownership of work programmes by senior managers and more effective reallocation of operational responsibilities amongst other team members.

Financial report

The 2° Investing Initiative is a network composed of three affiliated entities: the Paris, New York and Berlin-based affiliates. The three entities are non-profit, non-commercial and membership-based organizations. They are governed by independent boards of directors and affiliated by a network agreement. As a result of this agreement, their work programs, financial and human resources are pooled, so that the different entities work together on most of the projects. Below is an overview of the network's global budget evolution since 2DII was founded.

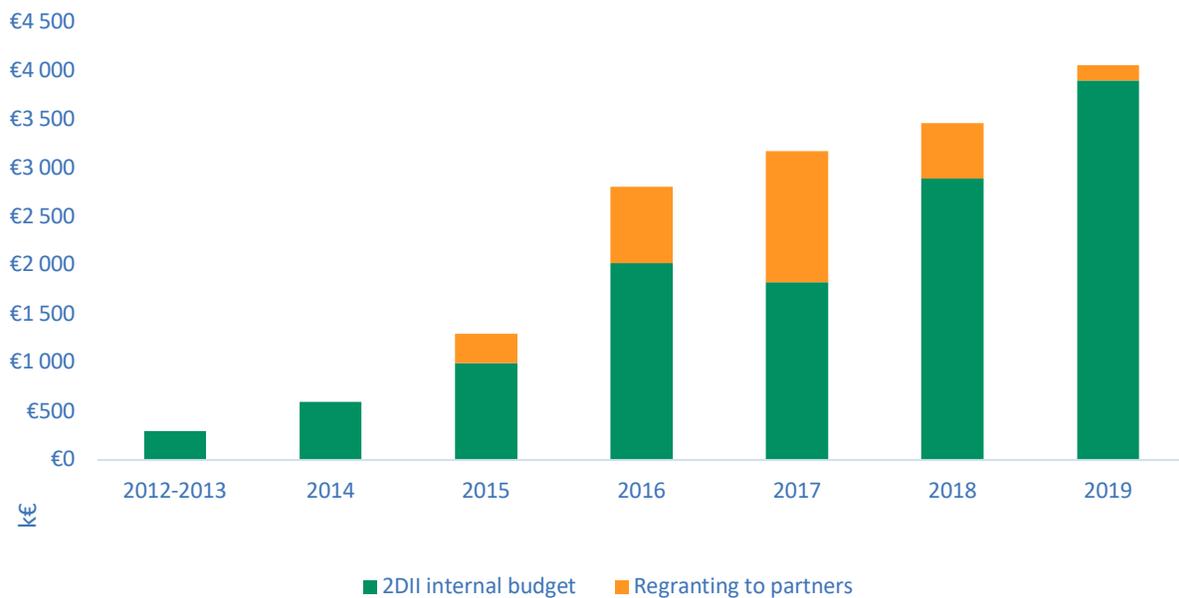
Income

In 2019, the network's global income rose by 17% overall.

The 2019 budget has a different structure from previous years due to the following changes:

1. Funding sources are starting to be better balanced among countries, especially because an increasing part of our funding is coming from the German government.
2. Funding sources in terms of different types of funders are also better balanced thanks to a growth in national level funders (in comparison to EU research grants to France).
3. Re-granting to partners is significantly decreasing, resulting in an increase in the internal budget.

Network income evolution (2012-present)



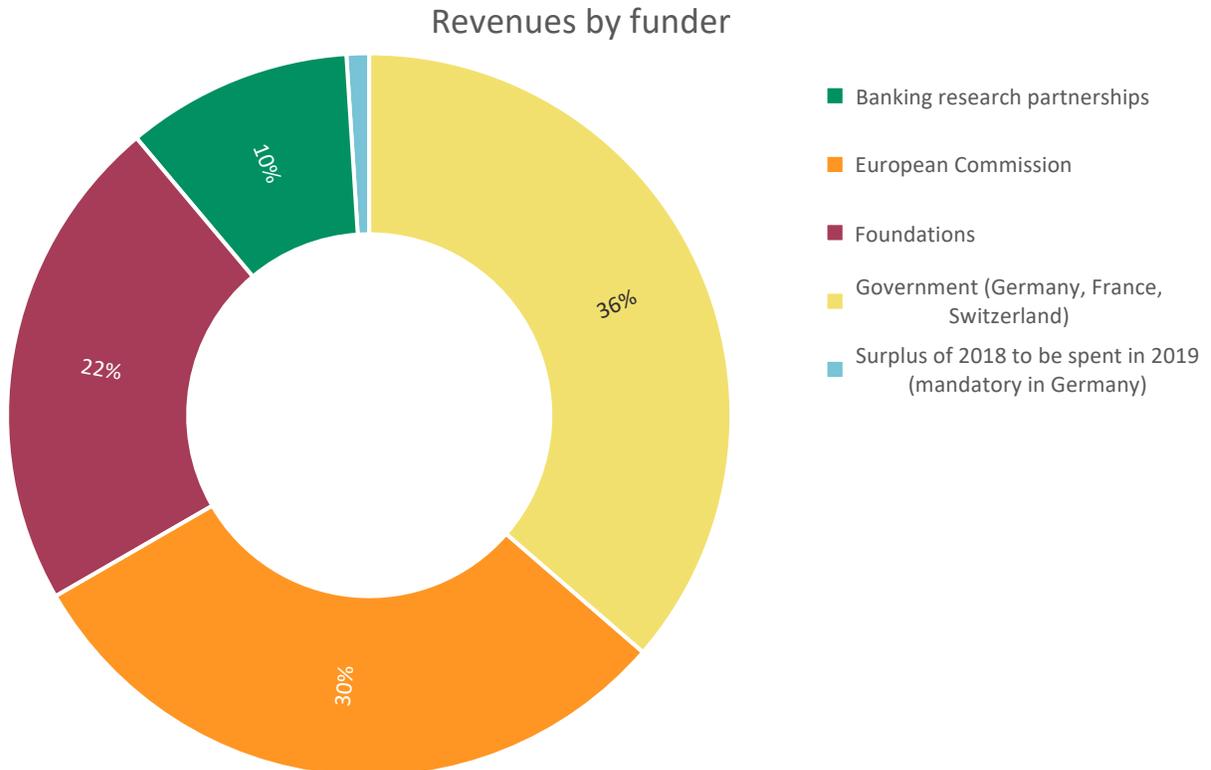
Note: These numbers only include amounts that transited through the accounts of the 2DII network. They do not reflect the amounts raised by 2DII on behalf of other entities that then are directly granted to them by the funders. In 2019, 2DII won a LIFE IP grant for a 6-year project pulling together a consortium of 8 partners; €9,991,523 was raised in total, of which €7,132,951 will be granted directly to the consortium members and €2,858,572 will go to 2DII (and will be integrated into this graph between 2019 to 2024).

Network resources breakdown

In 2019, the network's total budget was €4,055,597.

Our main funding source (36% of total income) came from the governments of Germany, France, and Switzerland, followed by the European Commission at 30%.

Since 2017, we have been broadening our sources of funding to include additional non-EU sources.



Network expenses

The entire network's expenses amounted to €3,737,794 in 2019.

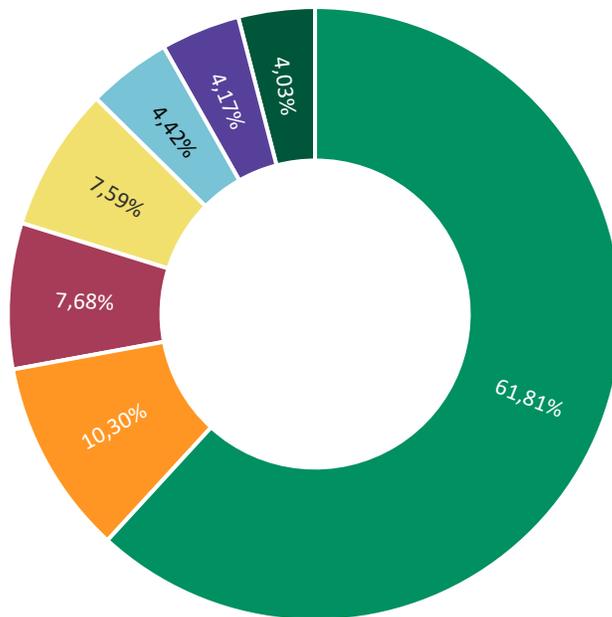
The main expenses were staff costs (61.81%) and overhead (10.30%). Other expenditures were comparable to previous years, e.g. travel (7.68%) and sub-contractors (4.42%).

As the organization grows, staff costs have started to increase, while our re-granting to partners decreases.

Note: The 2019 financial year in all the 2DII entities goes from 01/01/2019 to 31/12/2019.

Network expenses

■ Personnel ■ Overhead ■ Travel ■ Direct costs ■ Subcontractors ■ Partners ■ Data



Funders of the 2DII Network

In 2019, we were grateful to receive support from a variety of funders, including the European Commission, various governments, philanthropies and financial institutions. The list of our public and charitable funders is below:



Bloomberg Philanthropies



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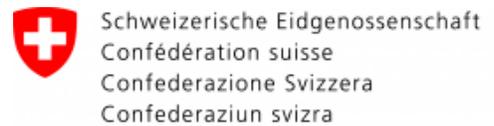
*International Climate Initiative (IKI)
National Climate Initiative (NKI)*



Inter-American Development Bank



European Commission Life Programme



Swiss Confederation

Federal Office for the Environment FOEN

Contact



General: contact@2degrees-investing.org

<https://2degrees-investing.org/>

Find us

Paris

[97 rue La Fayette, 75010 Paris](#) (legal address)

[2 rue Dieu, 75010 Paris](#) (office address)

New York

[205 E 42nd Street, 10017 NY](#) (legal address)

[110 Wall St New York, NY 10005](#) (office address)

Berlin

[Schönhauser Allee 188, 10119 Berlin](#)

London

[40 Bermondsey Street, London SE1 3UD](#)



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