

A Climate Impact Management System for Financial Institutions

Designing a scientifically sound climate contribution strategy

Why an Impact Management System?

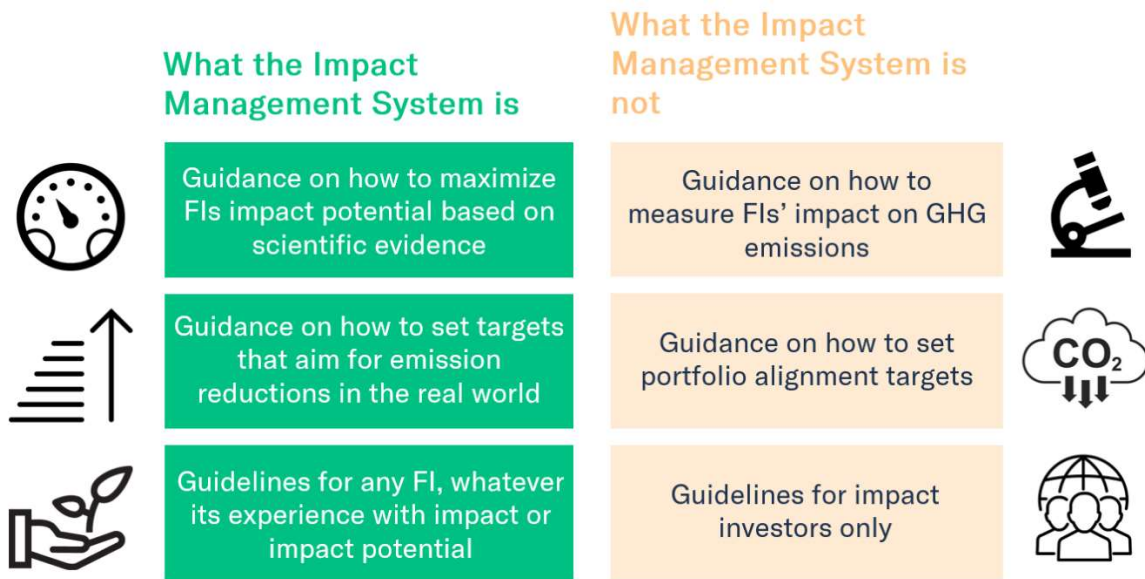
Over the past few years, there have been a growing number of financial sector initiatives either focused on climate targets (e.g. Net Zero Asset Owner Alliance, Science-based Targets Initiative) or specific climate-related strategies (e.g. Coal Divest, Climate Action 100+ for engagement). Net-Zero targets have also been gaining traction in the recent months.

To date, however, there has been limited focus on understanding the ultimate impact of these initiatives and associated specific actions on greenhouse gas (GHG) emissions reductions in the real economy. Much of the 'success' of the strategies is measured by the ability of financial institutions to 'decarbonize their portfolios' or 'align their portfolios with climate goals' in some form – **independent of the extent to which this leads to decarbonization in the economy more generally** . While alignment is a valuable strategy for various purposes (e.g. risk management), it there is no evidence that it causes decarbonization in the real economy (view our blog post for more: (<https://2degrees-investing.org/blogs/aligning-with-climate-goals-vs-contributing/>)).

At a time when we need urgent, immediate action in order to remain well-below the 2° limit by the end of the century, the financial sector in turn requires frameworks for setting up climate strategies specifically designed to contribute to climate change mitigation.

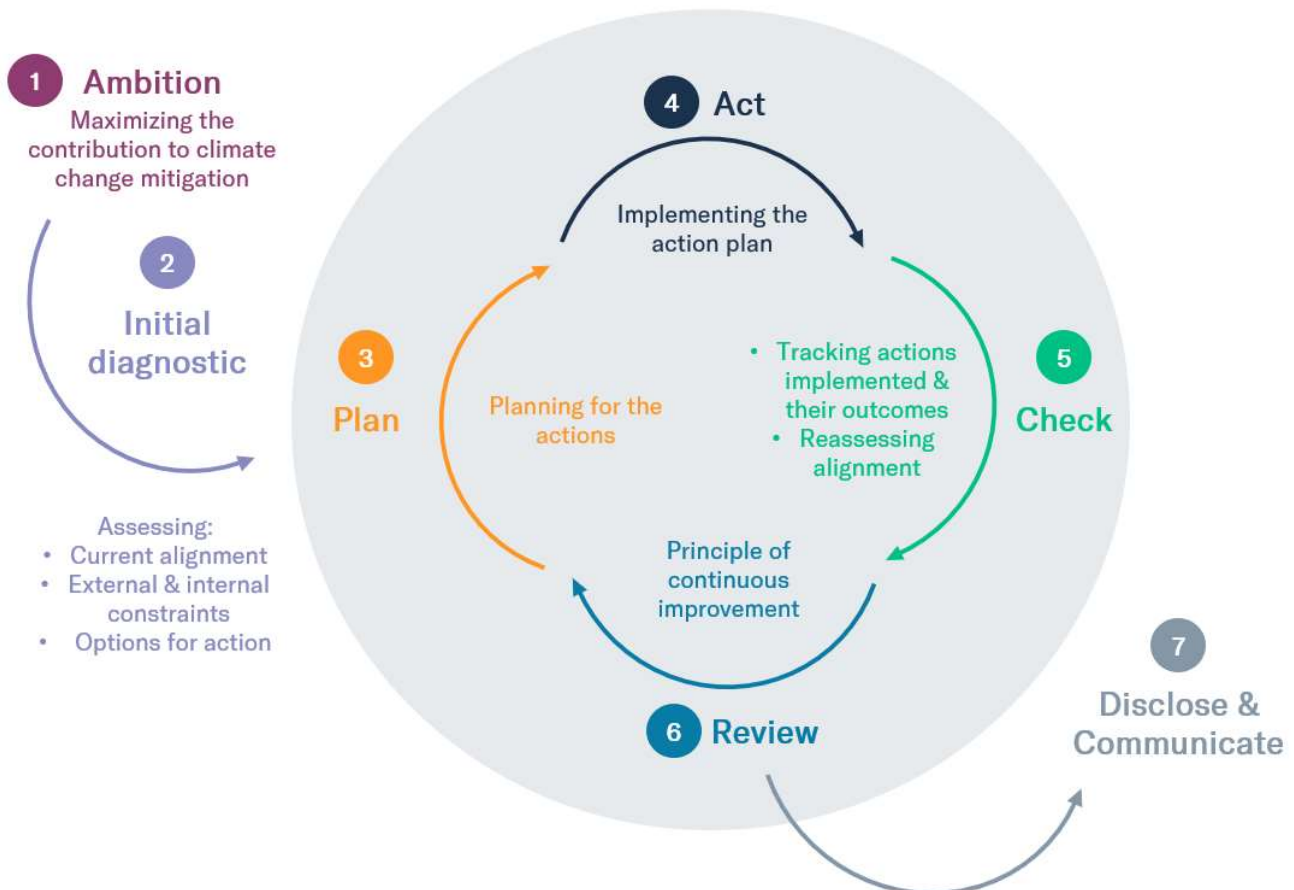
What is the Impact Management System?

The Impact Management System is a framework that aims to **assist FIs in setting up climate strategies specifically designed to maximize their contribution to climate change mitigation** . The framework is primarily for financial institutions (of any kind or impact potential) but can also inform the development of labelling or certification schemes for financial products. It can be particularly helpful for financial institutions that undertook long-term Net Zero commitments and want to set up short-term plans to actively contribute to these commitments. The framework can be applied at the product, business line, or institutional level.



How to apply the Impact Management System?

The Impact Management System consists of several steps. First, it guides FIs in defining the best possible contribution that they can make to climate change mitigation, based on available science and their specific constraints (steps 1 & 2). Then, it guides them in planning for this contribution (step 3) and monitoring it (steps 4 & 5). Finally, step 6 outlines a process for continuous improvement of the contribution. Guidance on how to communicate on the contribution and disclose the process followed is provided in step 7.



Learn more and offer your feedback (by June 7th)

To learn more about the Impact Management System, please download the report here: <https://2degrees-investing.org/wp-content/uploads/2021/04/Climate-Impact-Mgmt-System.pdf>. The report is open for consultation until June 7th, 2021. Until then, please send your feedback in whatever format you prefer to Soline Ralite, Deputy Head of Impact (soline@2degrees-investing.org); alternately, you may fill out this survey: <https://www.surveymonkey.com/r/ClimateImpactMgmtSystemSurvey>.

Please note that following the consultation, we will pilot test the framework with voluntary financial institutions. If you would like to learn more about the pilot project, please contact Soline at the address provided above.