

# 2023 HIGHLIGHTS

A year of partnerships, innovation,  
and building bridges



## Thank you from Arc

As we reach the end of our first full year of operations, the Arc team has been reflecting on our achievements so far – and what’s to come.

Our vision is a world in which money flows into every sector and region to meet global climate goals. In this report, we’ll be highlighting some of our deliverables during 2023 and sharing how we’ll be continuing to create impact with our strategy.

At Arc, we are acutely aware that we cannot achieve our vision alone. We have prioritized building new partnerships with organizations in the climate finance ecosystem. This year, we have engaged with over 50 financial institutions (FIs) – our primary stakeholders – to understand their needs and potential solutions. These relationships continuously help to shape our work.

We also work closely with our philanthropic partners, NGOs, and commercial entities tackling the climate challenge in the spheres of policy and regulation, accountability, data and analysis, disclosure, and other initiatives. We believe we must collectively own the critical challenges and find new ways of organizing and strengthening the ecosystem.

Our partners have helped us to push boundaries and explore how we might do things differently to accelerate our impact. Thank you to everyone who has shared their expertise with us this year, particularly our Advisory Council and our funders for supporting us and investing in our common vision.

Since our launch in 2022, our team has grown to 29 people across 11 countries in Europe, Africa, South and North America. This new but mighty team has helped Arc to punch above its weight, which this report hopefully demonstrates. We are excited for the new year ahead which will build on everything we have achieved in 2023.

Enjoy the holidays and we look forward to working with you again in 2024.

### Meryam Omi and the Arc team



## Our three strategic pillars

Arc's work focuses on interventions in three critical areas, based on the gaps identified in our landscape analysis of climate finance.

### 1. PATHWAYS

We establish science-aligned frameworks, methodologies, and standards so that financial decision making can be aligned to climate goals.

### 2. ANALYSIS

We make analysis of corporate climate transition available and accessible to decision makers.

### 3. HUMAN CAPACITY

We equip financial decision makers, in all regions critical to the climate transition, with essential knowledge and skills.

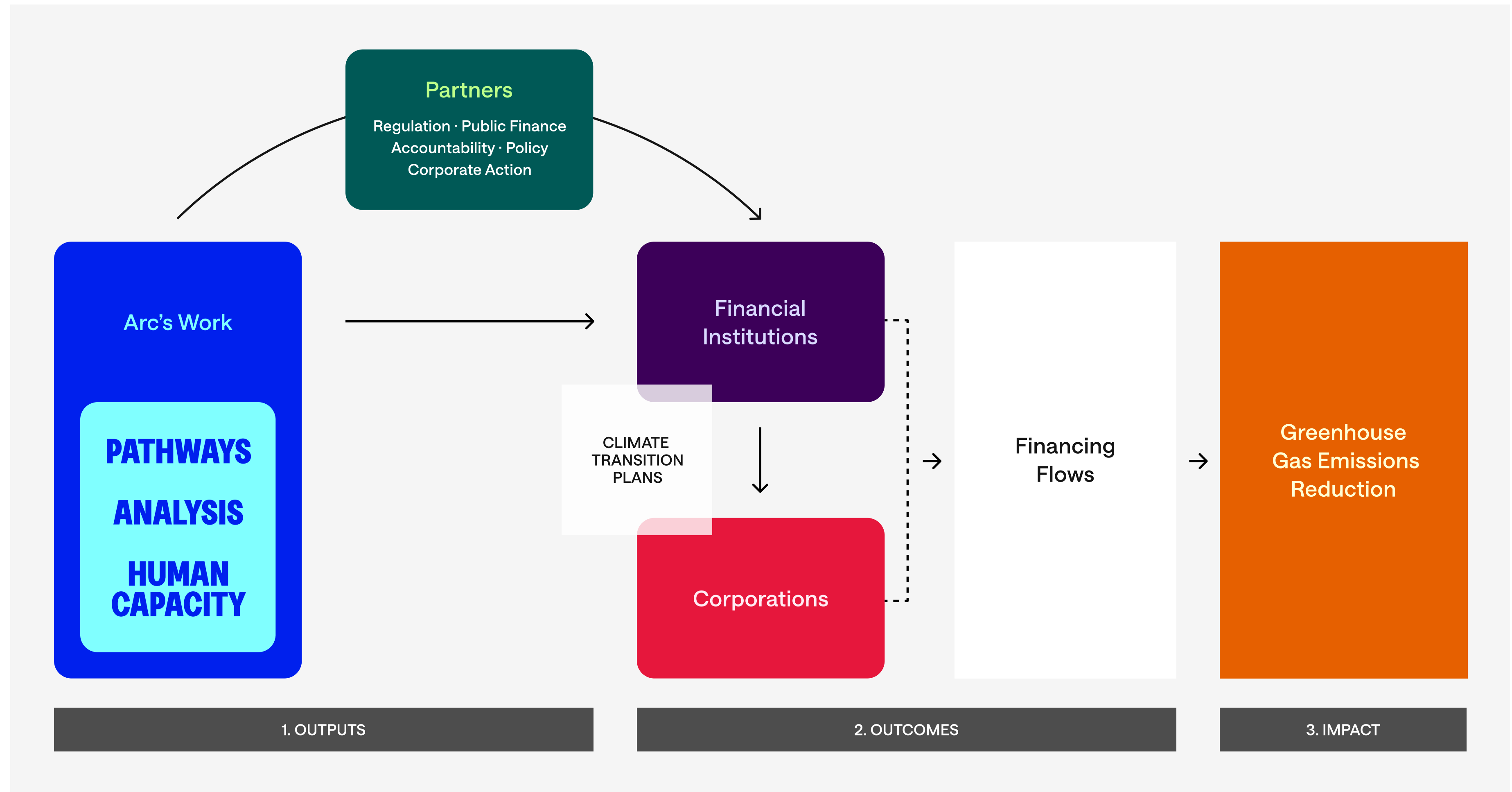


# Our theory of change

Outputs from our three strategic pillars will provide financial decision makers with the tools and skills they need to assess corporate transitions and allocate assets accordingly, as shown.

Creating financial incentives for corporate climate action – or penalties for lack of action – is the ultimate goal. Companies that set adequate climate goals and shift their businesses accordingly (i.e. car manufacturers moving to 100% electric vehicles) should attract more and favorable finance.

Our strategy recognizes that tools and skills alone cannot shift financial decision makers to make climate-aligned decisions. Our model is based on partnerships with the wider climate finance and corporate communities, working together to tackle key activities essential to systemic change, including regulation, advocacy, accountability, and corporate leadership.



# What we delivered in 2023

From **Mapping** right through to **Impact**, explore how we organize our work, and some of our key deliverables in each area.

## Our strategic pillars

## Our activities

**MAP**  
Tracking the solutions that already exist, and where the key gaps lie.

**GRANT**  
Backing projects that provide solutions to those gaps.

**BUILD**  
Where no suitable solution exists, our in-house teams work to develop one.

**ENGAGE**  
Establishing strong relationships with key stakeholders to ensure our work is fit for purpose.

**IMPACT**  
Building a tool to measure, monitor and evaluate our collective impact and continuously iterate solutions.

### 1. PATHWAYS

FI Net Zero Methodology Map  
Page 6

2023 Grantees  
Page 7

FI Net Zero Methodology Map  
Page 6

Arc's theory of change

### 2. ANALYSIS

AI and Climate Data Map  
Page 8

2023 Grantees  
Page 9

Arc Transition Analytics Platform  
Page 10

FI pilot - Stage 1 Page 11  
AGM tool for NGOs Page 12

### 3. HUMAN CAPACITY

Brazil and South Africa research  
Page 13

Climate finance research hubs  
Page 14

The Conversation Tour  
Page 13

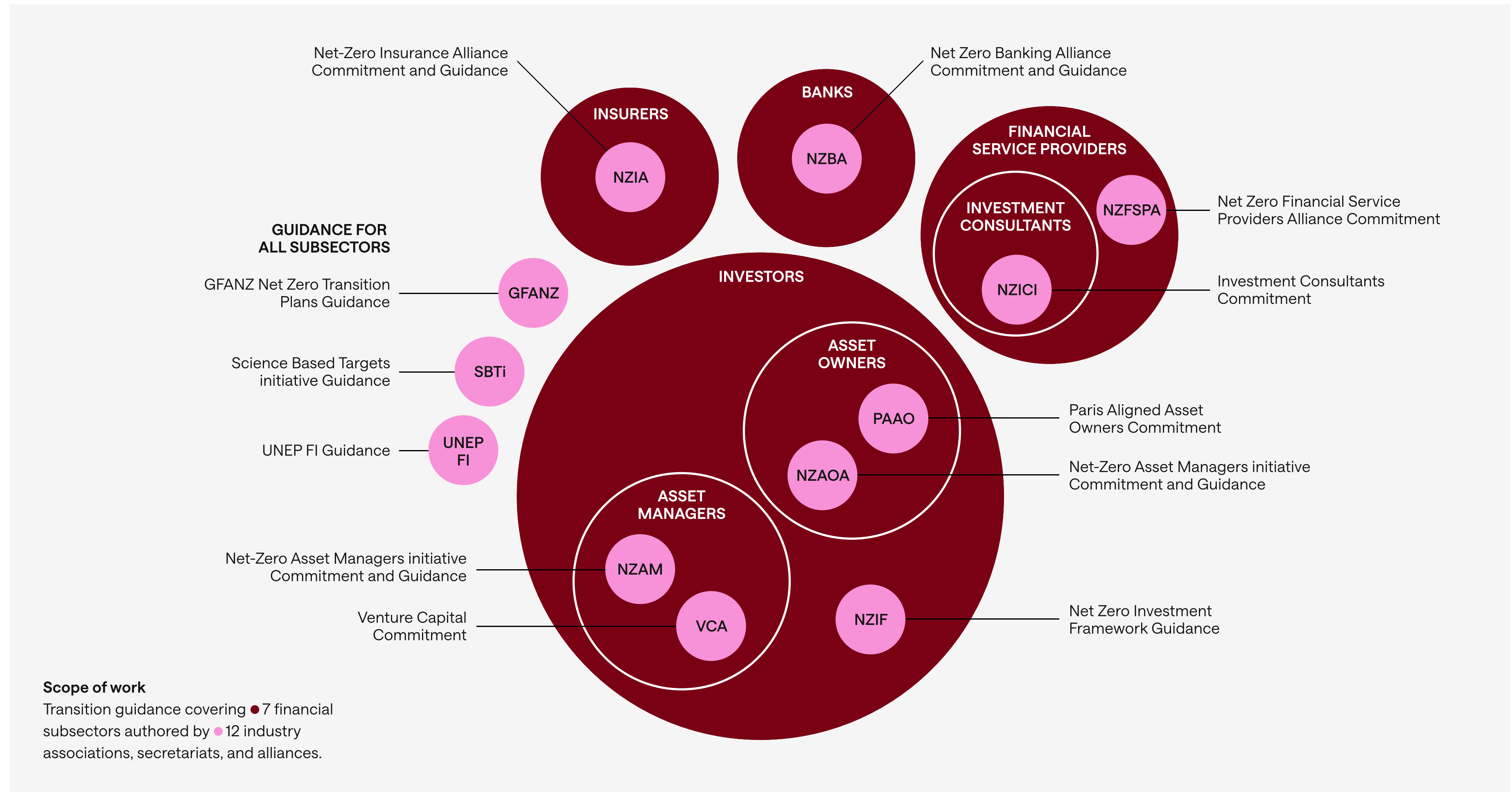
Page 4

# The FI Net Zero Methodology Map

Arc’s specialist team mapped the methodologies and frameworks available to FIs seeking to transition their portfolios in line with a Paris Agreement-aligned transition.

The map assessed all industry-endorsed or authored transition guidance for different financial subsectors and asset classes. The frameworks were assessed against criteria linked to their credibility and ability to help align the financial sector with a 1.5-degree pathway, such as instructions on transition and fossil fuel finance, and portfolio coverage across scopes 1, 2 and 3 emissions.

The image indicates the sources which have currently been assessed. Transition guidance authored by non-industry endorsed bodies and disclosure frameworks were out of scope for this exercise. This is an iterative exercise and the map will be openly accessible. We are currently socializing it with the wider community to gain further insight.



# Grants: Improving net zero frameworks for FIs

In 2023, to address the lack of standardized, target-led frameworks, we supported the creation or advancement of three frameworks, methodologies, and standards through grants and partnerships:

The **Partnership for Carbon Accounting Financials (PCAF)** is increasing the number of FIs using its standard and disclosing emissions. It is expanding the scope of its global GHG accounting standard for FIs and exploring additional asset class methods.

**Climate Bonds Initiative (CBI)** is accelerating asset allocation to transitioning companies that are progressively decarbonizing high-emitting assets. We are supporting their efforts to help standardize guidance on transition finance for investors. This is a wider collaborative effort alongside the Institutional Investor Group on Climate Change (IIGCC) and the Sustainable Markets Initiative, with methodological feedback from Glasgow Alliance for Net Zero (GFANZ) and representatives from the investment world.

**Science Based Targets initiative (SBTi)** in collaboration with the **Net Zero Insurance Alliance (NZIA)** is enabling the insurance industry to set near-term and long-term science-based net zero targets by developing target-setting methods, validation criteria, and guidance for the insurance industry. SBTi is a partnership between the World Resources Institute, CDP, the United Nations Global Compact, and WWF.



## STATS

PCAF has already achieved rapid uptake among FIs over the past few years. To date, over 120 FIs have already disclosed their financed emissions using the PCAF standard at least once. With Arc funding, PCAF aims to increase the number of FIs using the standard to 1,000 institutions globally by end-2025, covering at least \$200 trillion in total assets.





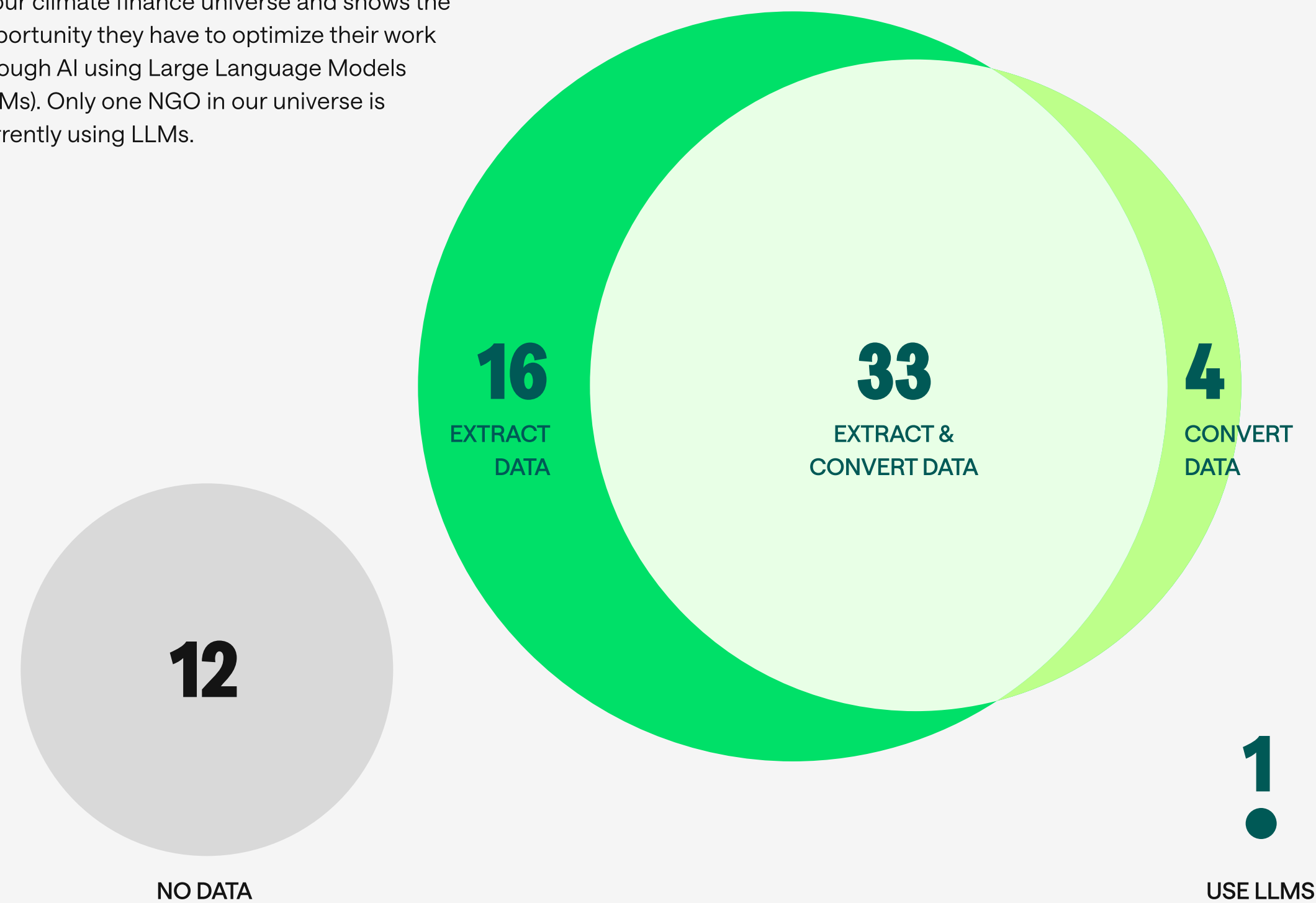
# Exploring how climate data organizations are harnessing AI

Artificial Intelligence (AI) is already proving to be a powerful tool that can radically transform how we use a critical asset – data. But today, only a few hundred companies are analyzed in depth on their transition performance by science-aligned initiatives. We need to innovate to expand this work to cover more of the market, with more metrics, standardized underlying methodologies, and in such a way that tackles bias and builds trust.

Collaboration is critical. We’ve convened a number of workshops and strategic conversations to explore how we can use these technologies to accelerate and scale up climate finance as a community.

## Use of Large Language Models by climate NGOs

Our AI and climate data map covers over 60 NGOs in our climate finance universe and shows the opportunity they have to optimize their work through AI using Large Language Models (LLMs). Only one NGO in our universe is currently using LLMs.



[READ MORE](#)

[Will the ChatGPT era revolutionize climate financing decisions?](#)



[How can AI help us understand corporate transition performance?](#)





# Grants: Better analysis of transition performance

In 2023, Arc supported a number of organizations working on critical transition analysis work:

**InfluenceMap's** LobbyMap initiative provides essential analysis on whether companies are being consistent between their climate commitments and the policies they support or oppose.

**World Benchmarking Alliance's (WBA)** rankings assess the progress of 2,000 of the world's most influential companies on the Sustainable Development Goals. With Arc's grant, WBA will scale up benchmarking of companies in high-emitting sectors using the Assessing low-Carbon Transition (ACT) methodology.

**Resilient Planet Data Hub (RPDH)**, housed at the University of Oxford, aims to deliver the first open, globally-consistent, physical climate risk and resilience data and information designed for different stakeholders, including FIs. Our grant will help to accelerate the initiative and advance the core data platform.

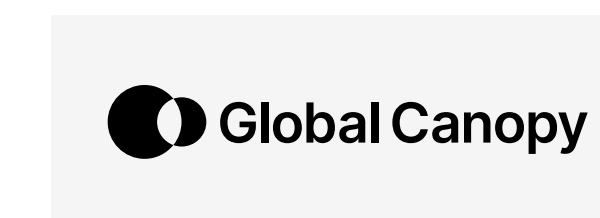
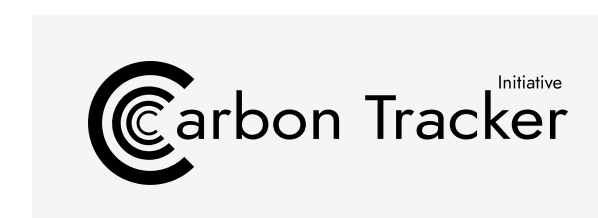
RMI's **Paris Agreement Capital Transition Assessment (PACTA)** is an open-source tool that helps investors assess the asset-level data of portfolios against climate scenarios. Our grant is enabling RMI to scope, develop, and launch PACTA 2.0 to better serve the needs of its users.



With our support, the **Transition Pathway Institute's** Global Climate Transition Centre is scaling up key accountability tools and benchmarks that track the delivery and robustness of corporate commitments and transition plans.

**Carbon Tracker Initiative (CTI)** carries out in-depth analysis on the impact of the energy transition on capital markets. Our grant focuses on data collection and analysis. The results feed into the Climate Action 100+ (CA100+) investor coalition.

**Global Canopy's** data platforms help highly-exposed organizations better identify and act on risks in their operations, supply chains, and financing. Our grant will expand the depth and breadth of its data and tracking.





# Arc's Transition Analysis Platform

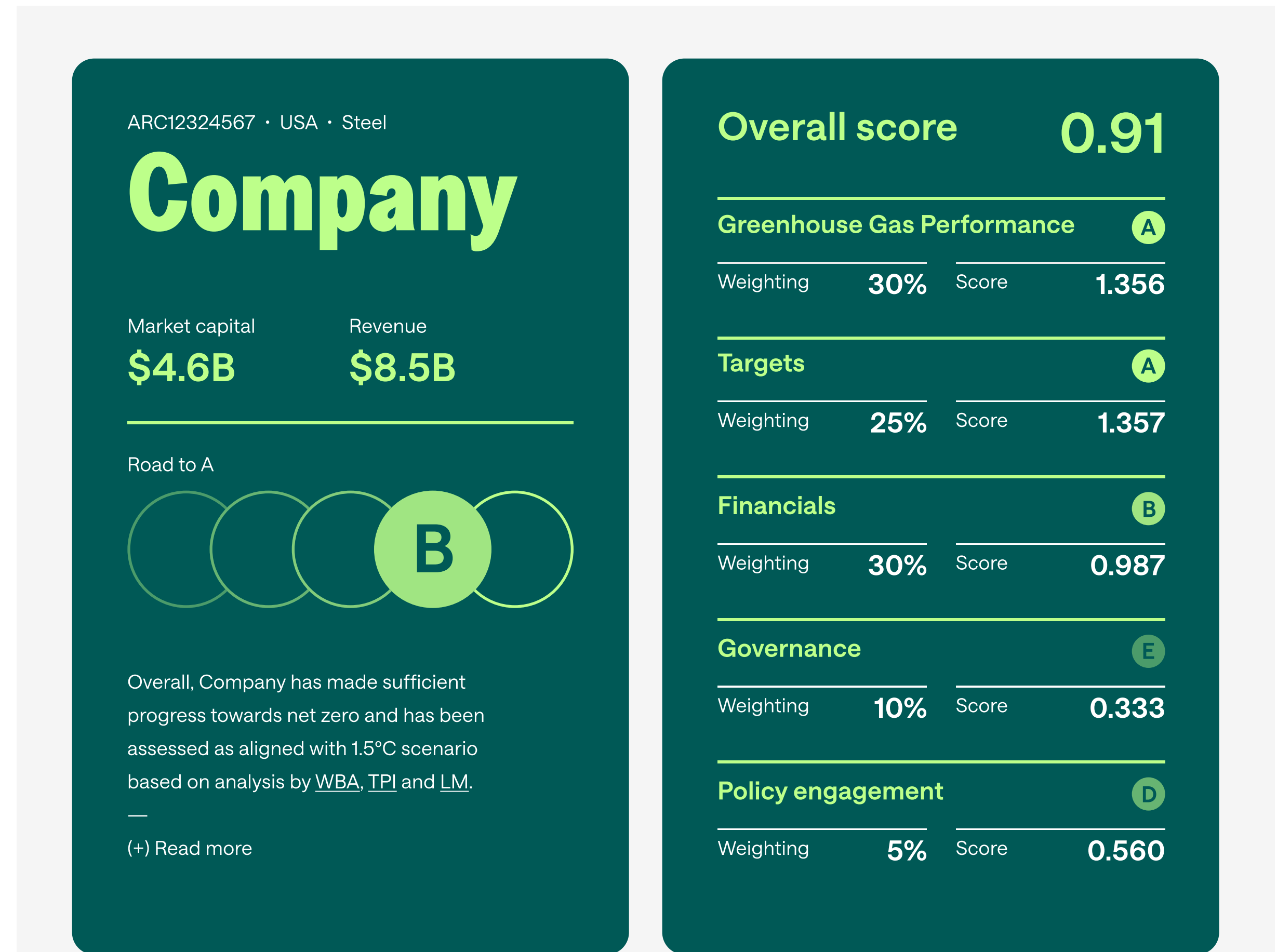
While the market is flooded with more and more climate data and analysis, information is not yet available at sufficient clarity, quality, and scale to be truly decision-leading for financial institutions (FIs).

Arc is bringing together the best available corporate transition analysis into a common grading platform. This science-aligned analysis is produced by our grantees and other partners. Over time, we will also work to expand coverage, and to add more companies in emerging economies.

FIs and other stakeholders will be able to access the analysis via Arc's Transition Analysis Platform or via an open data visualization tool. We aim to launch these in mid-2024.

We continue to incorporate feedback from FIs on their key needs for transition analysis and their technical requirements for receiving data.

Our infrastructure is being created with sustainability in mind. Use of data centers with low carbon intensity, serverless architectures, and infrastructure as code have been chosen to limit our negative impact.



\*Example user interface



# Understanding what financial decision makers really need

All our analysis work is designed to serve the practical, daily needs of financial decision makers. We have conducted face-to-face consultations with representatives from FIs in order to get under the skin of those needs as we build our Transition Analysis Platform.

Here is some of the key feedback we have received so far:

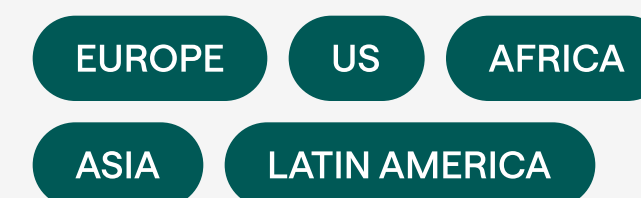
1. Demand for science-aligned transition analysis is strong and rising – many FIs are conducting in-house work, but they lack an external reference point.
2. Key pain points for FIs include fragmented and often unstructured data, interpreting different transition frameworks, and clarity around intellectual property.
3. Priorities for Arc’s platform include providing transparency of source data, sharper analysis on some key metrics (such as capital allocation), and clarity on the actions required for companies to get back on track.

## Who did we consult?

25 firms engaged across



Regional coverage in



Combined revenue of

# \$500bn

\*As of November 2023

## STATS

According to [Bloomberg research](#), more than 80% of financial institutions want to consume data directly through cloud databases and marketplaces. The architecture we've created enables just this and makes data sharing seamless.

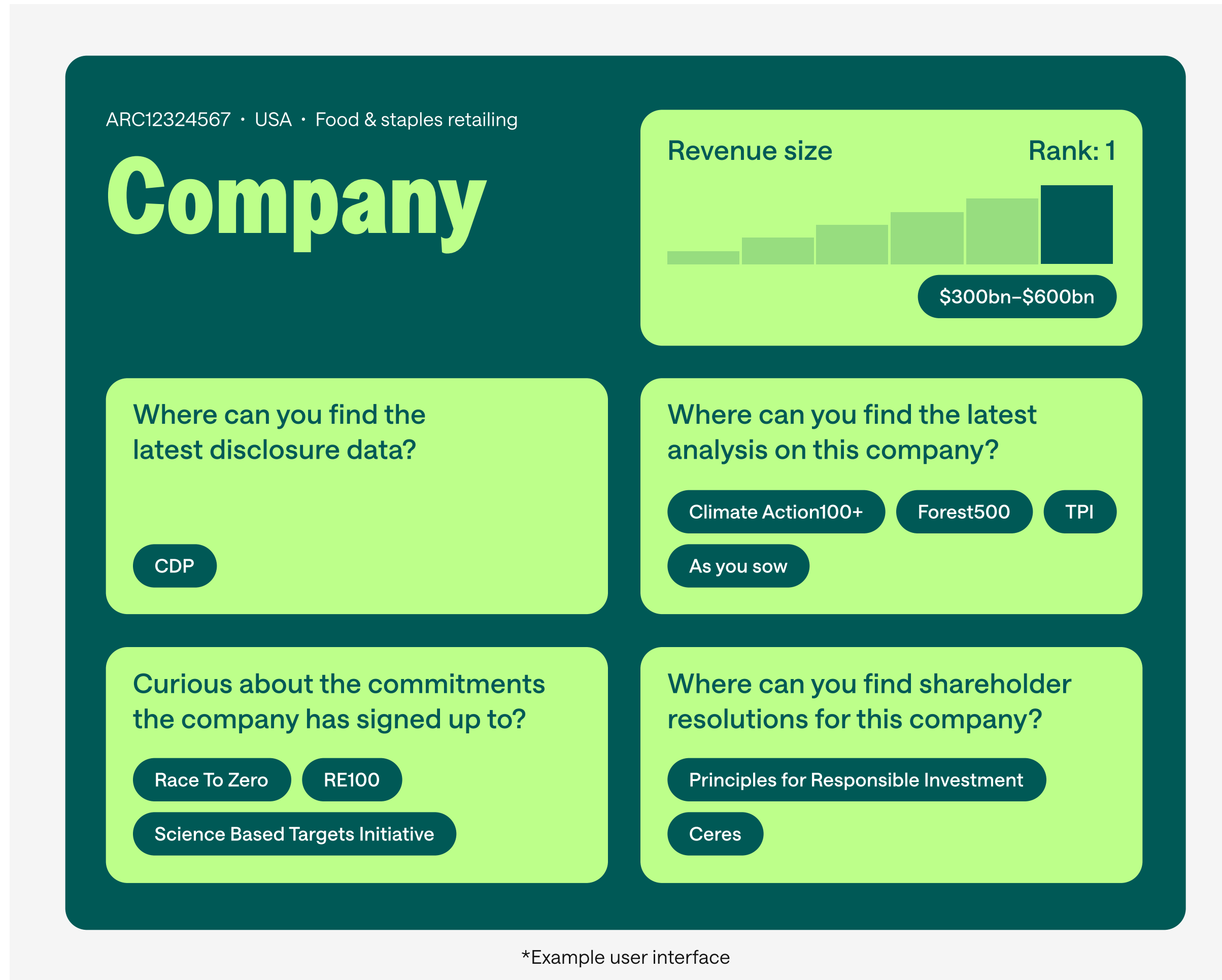




# The AGM tool: Analysis from 15+ organizations in one place

Our Annual General Meeting (AGM) tool enables users to find timely and relevant information on a company's climate action and progress at the time of voting by its shareholders. It has been created to help consolidate existing information for non-profit climate initiatives, and shows the latest analysis in one place. As the name suggests, we hope this will be useful during AGM season, but we also think the approach could be valuable throughout the coming years.

We worked with 15 partner organizations to create timely and key assessments on corporate action. The tool elevates the existing research available in the market and enables the sharing of knowledge within the community. It currently encompasses climate disclosure, transition analysis, climate commitments, and resolutions.



## READ MORE

So far, users from 48 organizations have accessed the tool, with many providing feedback. We are making refinements ready for the 2024 AGM season.

For a detailed list of partners and to access the tool, please visit the website

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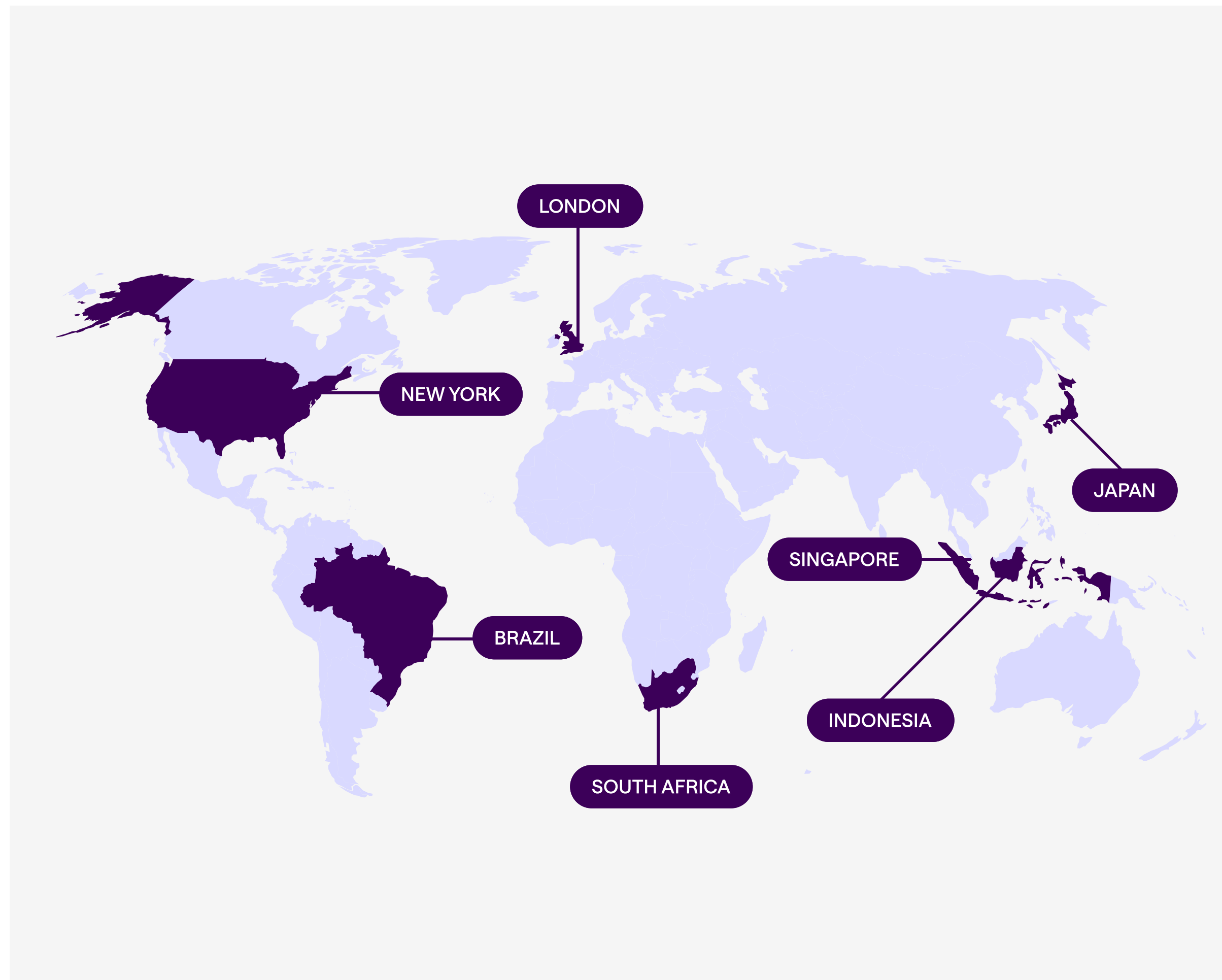


# The Conversation Tour: Meeting and listening to the climate finance community

This is one of the critical ways we keep our finger on the pulse of audience needs.

In 2023, based on our analysis of 26 markets, we went to seven ‘climate hotspots’, countries critical to the climate transition. There, we conducted workshops and bilaterals, and participated in events to listen to the whole climate finance community and explore what support we can provide to accelerate the flow of capital.

Thank you to all our partners who have collaborated with us to convene and drive these conversations, including [Instituto Clima e Sociedade](#) (Brazil), [Tara Climate Foundation](#) (Asia), [ViryaENB](#) (Indonesia), the [African Climate Foundation](#), and the [National Business Initiative](#) (South Africa).



**READ MORE**

Unlocking the climate finance opportunity in Brazil

With research from NINT



How can South Africa become a leader in the net zero transition?

With research from Genesis Analytics





# Setting up climate finance research hubs

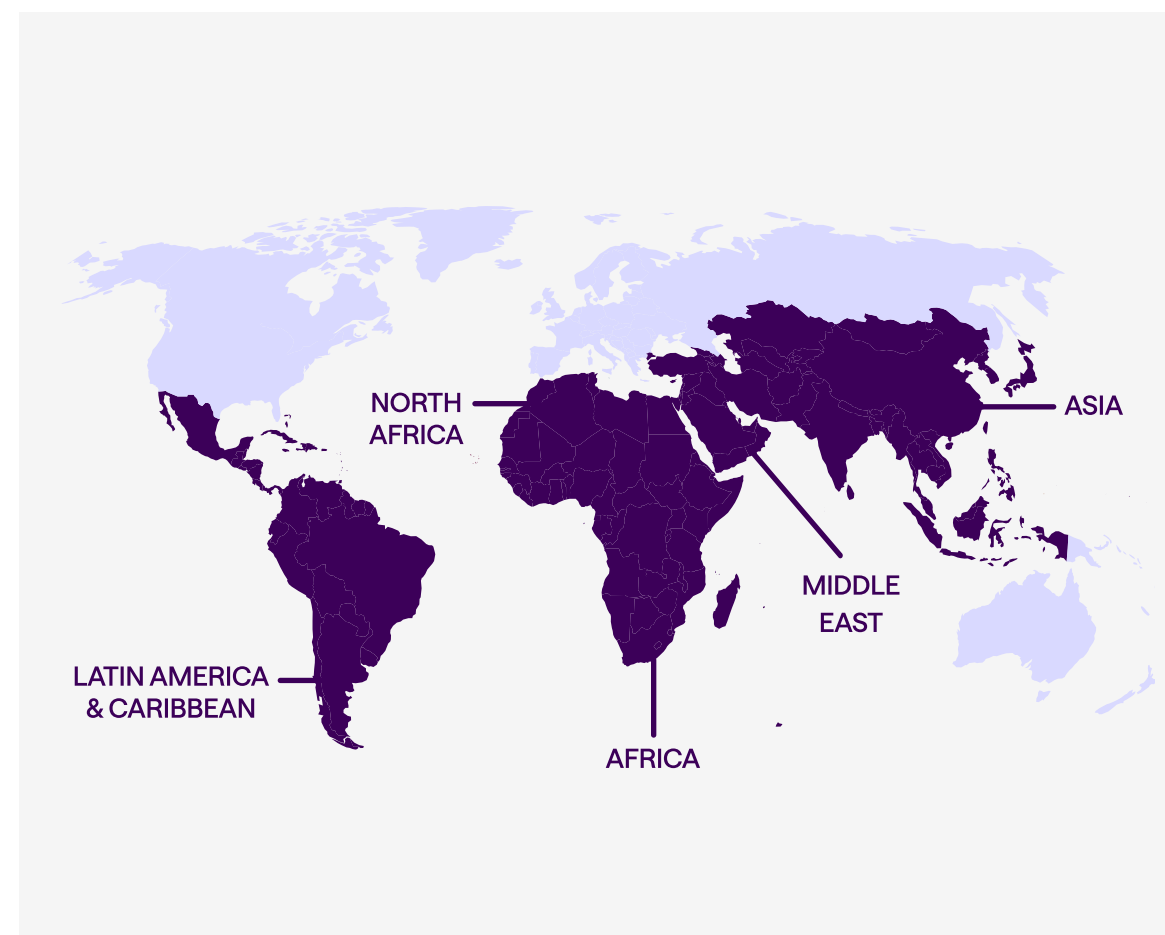
Based on what we learned from the Conversation Tour and relationships forged with key local partners, Arc set out to set up climate finance research hubs in markets that could significantly benefit from upskilling private finance capacity and increasing the volume and quality of local corporate transition analysis.

Starting with Brazil, together with our local partner iCS, we looked for local research partners to conduct analysis on the climate transitions of local corporations. Their aim would be to deliver a critical feed of decision-leading analysis that local and global financial decision makers can use. We are on course to launch a consortium of organizations who will work together to start delivering in early 2024.

We believe local research on transitions should be carried out by local people who understand the context in which companies are addressing climate risks and opportunities. By setting up these new capacities, our goal is to not just increase the quality of analysis, but to train and upskill local people. They will learn how to assess and analyze different industrial transitions, which are critical skills to mobilize finance and make capital flow into solutions.

We are continuing our conversations with other partners in different parts of the world to deliver this dual purpose of analysis and upskilling in all critical markets.

To identify these climate finance hotspots, we assessed 26 markets across five key regions.



## STATS

There are not enough financial analysts working to understand the impacts of climate change. For example, over 500 PRI signatories – representing \$6.9 trillion AUM – directly employ one or fewer ESG specialists.

>500  
PRI signatories

\$6.9T  
Assets under management



# Looking ahead to 2024

From getting our Climate Transition Analytics platform live, to launching our first climate finance research hub in Brazil, 2024 is lining up to be an exciting year.

From January 2024, we'll operate as a non-profit independent organization, registered as Climate Arc Inc.

## Our strategic pillars

## Our activities

MAP →

GRANT →

BUILD →

ENGAGE →

IMPACT

### 1. PATHWAYS

Localized pathways

Guidance for transition finance

With a wider set of Financial Institutions and NGO partners

Ecosystem Impact Tool live

### 2. ANALYSIS

Coverage of climate data and analysis

Climate transition analysis and asset data

Arc Transition Analytics Platform live

### 3. HUMAN CAPACITY

Global skills capacity

Launch of Brazil hub

Knowledge center and global upskilling programs



# Unlocking capital flows to meet climate goals

Climate Arc is a global organization shaping and driving forward the climate movement through unlocking private capital.

Whatever the industry – energy or technology, food or transport – the climate emergency requires a complete shift in the way our economies and societies function.

Companies need to transition their businesses, and fast. And those that invest, lend, and insure them are critical to unlocking this climate action. We're here to empower those financial decision makers.

This is a challenge that cannot be tackled by one organization alone. That's why we work in partnership with the entire climate ecosystem, building connections – or arcs – that create the conditions for change.

Imagine a world in which money has shifted from dirty to clean. We can achieve this, but only if we work together and make finance our number one ally in the race to get there.