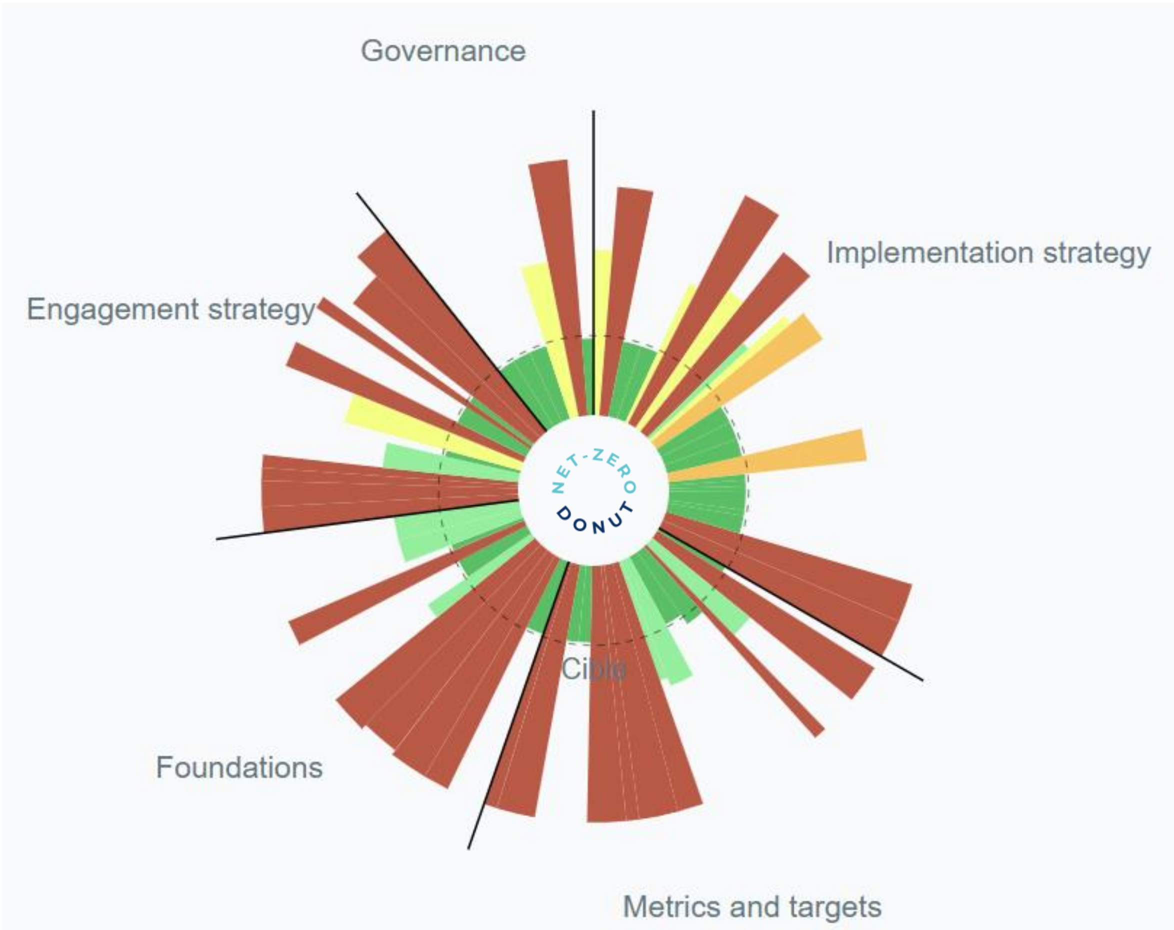
This project has received funding from the European Union's LIFE program under grant agreement LIFE18IPC/FR/000010 A.F.F.A.P. The European Commission is not responsible for any use that may be made of the information it contains.

Are the guidelines of the Net-Zero alliances specific enough to be credible?

Proposal of an analysis and monitoring framework: the *Net-Zero Donut*.



November 2023

[Find an interactive view of the data, sources and results of the study directly on the website of the Sustainable Finance Observatory.]

Table of Contents

1. Editorial

The Glasgow Financial Alliance for Net-Zero (GFANZ), launched at COP26, brings together 539 financial actors around the world in November 2023, managing nearly $150 trillion in assets. The UN's 2030 Agenda, which aims to achieve a better and more sustainable future for all, estimates the need over 15 years at $105 trillion: $7 trillion per year for 15 years, or 70 times more than the $100 billion in aid to developing countries decided at COP 15[1].

The mobilization of private finance is essential to finance the transition, and these Net-Zero alliances represent a historic opportunity to achieve this transition in a relevant, fair, and sustainable way, taking into account all resources and planetary boundaries.

However, current sustainable funds do not seem to be well targeted when we know that less than $2,740 billion is declared ESG worldwide, including $2,231 billion in Europe. In this context, the European green taxonomy and, more recently, the reform of the French SRI label, with the exclusion of fossil fuels, are useful tools to correctly direct the amounts mobilized.

However, the financing of transitioning actors remains a crucial topic to address, and once again, European regulation is at the forefront with the CSRD, by integrating into companies' annual reports: reporting of greenhouse gas emissions, climate targets aligned +1.5°C and a transition plan to achieve it. France also stands out methodologically, as it has developed the ACT methodology through ADEME, the French Agency for Ecological Transition, 20 years after the establishment of the carbon emissions accounting standard now used around the world. This methodology, which is based on the specificities of 15 key sectors of the economy, makes it possible to evaluate the transition plans of companies and financial actors, and corresponds to existing best practices for assessment according to GFANZ.

So, how can we assess the Net-Zero commitments of these 539 actors, 38 of whom are French? Are all these commitments equal? Do they cover all assets? Does the path to neutrality undertaken by these actors allow them to align their portfolios or contribute to the real decarbonization of the economy in a way that is consistent with the carbon budgets established by scientists?

UN Integrity matters, Race-to-Zero, GFANZ, Net-Zero Alliances, these commitments nested inside each other like Russian dolls often give the impression that we are with smaller and smaller commitments.
Also, to solve this puzzle, the Sustainable Finance Observatory - with the support of ADEME - proposes an analysis framework and a new indicator to decipher and monitor these commitments: the Net-Zero Donut, which we present in this report, and which is now available online. We hope that this indicator will allow you to better understand, compare and monitor the progress of alliances and their members: this is our goal.

<u>Mathieu GARNERO</u>

Climact Finance Project Director
ADEME

<u>Raphaël LEBEL</u>

Director of the Sustainable Finance Observatory

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[1] https://www.oecd.org/climate-change/finance-usd-100-billion-goal/

2. Presentation of the Sustainable Finance Observatory

The Sustainable Finance Observatory was founded following the Market Agreement of July 2nd, 2019, at the instigation of the French Ministry of the Economy and Finance, the main organizations and professional federations representing the Paris financial center have made new commitments in favor of the fight against climate change by accompanying them with monitoring and transparency procedures. The Sustainable Finance Observatory is part of the Finance ClimAct project, an EU project with an unprecedented budget of €18 million aimed at putting finance at the heart of the fight against climate change.

For the past 4 years, the Sustainable Finance Observatory (SFO) has been publishing open-access data on French financial actors. This dynamic web-based data platform presents a monitoring and analysis of the individual ESG commitments of financial actors, based on voluntary declarations of each actor.

The SFO has also published a guide to the compliance of commitments to highlight the criteria essential for their validity. In 2021 and 2022, this enabled us to decipher more precisely in the format of detailed reading grids that we use today for our analyses of the Net-Zero alignment of financial actors.

In addition, the SFO presents data aggregated according to 5 sectors of activity: management companies, specialized financing institutions, insurance, private equity and banks. This transparency work is done in collaboration with the 5 major French federations (AFG, ASF, FA, France Invest, FBF). This work allowed us to publish the exhibition of fossil fuels at the Paris financial center by applying Urgewald's methodology[2]

A three-pronged governance system between public and private actors and a scientific committee guaranteeing the scientific rigor of the published data has been set up with the aim of distributing the weight of the decision-making bodies and providing all the business and methodological skills necessary for the project.

The Scientific and Expert Committee is at the origin of 5 reports of guidelines on various themes: coal-related financing, climate indicators, alignment strategy, financing of unconventional hydrocarbons, transparency on the energy sector, etc.

In short, the SFO has contributed to changing the practices of the financial world and to raising the level of transparency of actors, particularly on facilitated emissions, through its publications and the organization of several French and international events[3] =.

Finally, the SFO is at the origin of the impetus that gave birth to the One Planet Data Hub[4], announced on the sidelines of COP26 by the President of the Republic, and which has enabled France to position itself strategically within the international Net-Zero Data Public Utility platform[5].

[2] Urgewald, *Methodology of the Global Coal Exit,* 2021
[3] https://www.oecd.org/environment/cc/workshoponmetricsforclimatetransitionandnet-zeroghgsinfinance-supportingclimatepolicygoalsandavoidinggreenwashing.htm ;
[4] https://oneplanetsummit.fr/en/coalitions-82/one-planet-data-hub-260
[5] https://www.nzdpu.com/

3. Creating a Net-Zero Alliance Tracking Framework

On the sidelines of COP26 in 2020, a new coalition of private actors called the Glasgow Financial Alliance for Net-Zero (GFANZ) emerged and brought together the existing coalitions under its aegis, each committing to align the activities of their members with a goal of carbon neutrality by 2050 on a specific perimeter of actors in the financial ecosystem.

This collective awakening to climate change shows the key role that the financial sector can play in facilitating a just[6] and sustainable transition, while respecting planetary boundaries[7].

Above all, we would like to commend the voluntary commitment of these alliances and their actors - mainly private - which goes beyond the regulatory frameworks in place. Indeed, the actors who become signatories of the alliances make a long-term commitment to a long-term approach of accountability towards their investors, their customers, their employees, all their partners, and more broadly civil society. We know that transforming such an ambition into concrete actions represents an important task for the dedicated teams for each member of an alliance.

"The alliances, whose signatory members had a total of nearly $150 trillion in assets as of November 2023"

The alliances, whose signatory members had a total of nearly $150 trillion in assets as of November 2023, have quickly positioned themselves as the reference frameworks in terms of climate strategy. By asking their members to commit to achieving net-zero emissions by 2050, and by formulating interim targets aligned with the latest scientific contributions, the alliances propose a framework that gives themselves the means to ensure a gradual decarbonization of members aligned with the IPCC's trajectories[8].

However, many actors, including the HLEG, revealed that the guidelines of the alliances and the GFANZ framework were not precise enough to ensure a real "Net-Zero" transition. It is also interesting to note that alliances do not necessarily have homogeneous practices among themselves and that they do not include all the guidelines proposed by GFANZ through their Net-Zero Transition Plan (NZTP).

Our study revealed that the guidelines provided to signatories can sometimes be opaque and incomplete. They do not systematically promote good practices highlighted by other regulatory frameworks or observed by some actors in the sector, which is nevertheless a guarantee of their realistic nature.

Today, there seems to be an inconsistency between the strong objective of the initial commitment made by the signatories of the alliances to become "Net-Zero", and the observed practices that result from it.

In view of this observation, it seems relevant to us to participate in the creation of a coherent and sourced analytical framework allowing alliances to complete their guidelines as precisely as possible and actors to have precise methodological proposals to apply in order to enable them to meet their Net-Zero commitments and to achieve, together, this common objective.

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[6] The International Labour Organization defines just transition as: "making the economy greener in a way that is as equitable and inclusive as possible for all concerned, creating decent work opportunities and leaving no one behind."

[7] Stockholm Resilience Centre, *Planetary Boundaries: Exploring the Safe Operating Space for Humanity*, Ecology & Society, 2009

[8] Intergovernmental Panel on Climate Change*, Climate Change 2022: Climate Change Mitigation, 2022*

In line with the values and mission of the Sustainable Finance Observatory, all the data of the study, methodologies, guidelines, and detailed results by actors are available in open access on the website.

We also and above all offer a readable indicator that allows an easily understandable monitoring of each actor and each Net-Zero alliance: **the *Net-Zero Donut*.**

4. Presentation of the methodological framework of the study

This first publication of the study focused on the French members of the following three major alliances:

- The **Net-Zero Asset Managers initiative**, which has 315 signatories and total assets of USD 64 trillion
- The **Net-Zero Asset Owner Alliance**, which has 86 signatories with total assets of USD 9.5 trillion
- The **Net-Zero Banking Alliance**, which has 138 signatories with total assets of USD 74 trillion

The objective of the study is to highlight the asymmetries between practices and guidelines of GFANZ, alliances and their signatory members, as well as other existing voluntary and regulatory reporting frameworks in order to gather all the indicators necessary for the proper internal and external monitoring of a Net-Zero commitment.

We have based ourselves on the general framework of GFANZ and its 5 main pillars: *Foundations*, *Governance*, *Implementation Strategy*, *Engagement Strategy* and *Metrics & Objectives* in order not to create confusion around a new framework and to allow GFANZ and the alliances to be able to take use our guidelines.

This first study was limited to the three main alliances and their French members that joined before 2023. The next few editions will aim to generalize the approach to all alliances and their members.

Step 1: Mapping of frameworks and reference indicators useful in the analysis of climate strategies

We have deciphered the guidelines of each of the alliances studied by linking them to the indicators relating to the GFANZ reference framework, the NZTP. We then analyzed the guidelines of other frameworks: GFANZ, CA100+, SBTi, HLEG, ACT Finance, UN, PCAF, Carbone 4, GHG Protocol, SBTi-FI (2023), TCFD, WWF, not to mention the publications of our Scientific and Expert Committee[9] as well as our own framework from four years of monitoring ESG commitments in France.

We extended our data collection framework to about 200 indicators per alliance, before selecting between 114 and 151 that were deemed essential depending on the alliance.

This phase of the study was carried out within the framework of a working group of the LIFE Finance ClimAct project, and in open consultation with public, private, academic and NGO actors, the list of which is presented in the acknowledgements section.

[9] Five reports available: https://observatoiredelafinancedurable.com/fr/le-comit%C3%A9-scientifique-et-dexperts/avis-fonctionnement/

Step 2: Information gathering and creation of a public database of Net-Zero actors

We collected information from French actors that joined of one of the three alliances before 2023 according to the three grids developed, based on three levels of public documentation, presented here:

Level 1: Dedicated publication of the actor (declaration of intermediate objectives) or summary presented on the alliance's website

Level 2: Policies deployed in pursuit of intermediate objectives (coal, oil and gas, voting, engagement, etc.)

Level 3: Regulatory documentation (29LEC report, voting report, commitment report, DPEF, etc.)

Indeed, the initial approach, which consisted of relying solely on members' interim reports to analyze their Net-Zero commitments, quickly proved to be limited. We emphasize the value of including in these reports all the information necessary to ensure their monitoring.

The data collected in this way has enabled us to provide the analyses presented in this report and are available in their entirety on the website of the Sustainable Finance Observatory[10].

Step 3: Analysis and evaluation of the data published by the stakeholders.

In addition to the quality of the data offered in the publications used to produce this study, we consider transparency to be an essential step in any approach to reducing the carbon footprint of stakeholders. This is why the results presented here are expressed in binary: the corresponding data has been found, or not.

However, we felt it was essential to create an evaluation framework for the indicators to be able to analyze in detail the interim reports of the actors and monitor their progress. To do this, we reviewed the guidelines of the following frameworks: HLEG, PCAF, GHG Protocol, CA100+, SBTi-FI, as well as the UNFCCC-recognized ACT methodology specifically for the transition aspect.

We were finally able to find an analysis framework for 70% of our indicators, the results of which you can find on the Observatory's website both in raw data form and through the *Net-Zero Donut*.

We identify indicators without an evaluation framework as a limitation of this study and call for participation to help us define, over the next few months, an evaluation framework for each missing indicator.

[10] Data available at: https://observatoiredelafinancedurable.com/fr/nza

5. The *Net-Zero Donut*

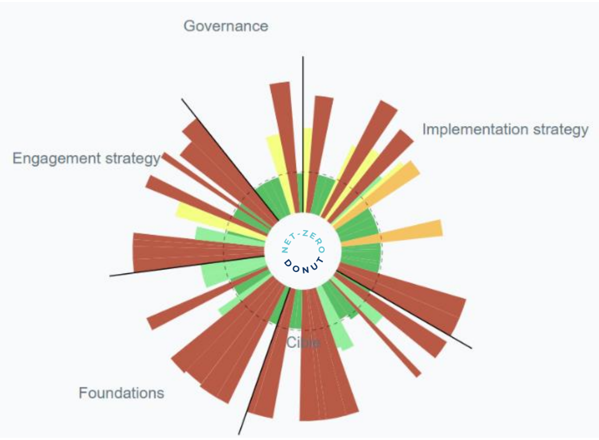
One of the missions of the Sustainable Finance Observatory is to propose comprehensible indicators that make it possible to compare and monitor the contribution of financial actors at both the individual and global levels.

This is why we have developed a vision that allows for visual and holistic monitoring that includes each indicator as it is without offering an aggregate rating that would lose the level of granularity that would allow a detailed understanding of the means implemented by financial actors.

This graph is composed of all the indicators selected for each alliance, represented by a colored area, and classified in the 5 categories of the GFANZ NZTP. The area covered by each indicator thus represented is then as large as its estimated degree of importance.

There are 3 different views for three Net-Zero alliances, and it is possible to choose a vision with all the indicators recommended by the Observatory study or only the indicators recommended by the GFANZ framework.

Finally, the indicators for which we were able to find a reference evaluation framework as previously detailed are colored from red to green, with red corresponding to a situation far from the target and green to the fulfilment of the commitment.



Net-Zero Donut representing the results of the six French actors in the Net-Zero Banking Alliances.

Indicators not found are displayed in black, those not evaluated in gray, and indicators that are not applicable are in white so not visible.

A dotted circle symbolizes the target to be reached. The objective is to reconstitute a green circle (or green and white if applicable), which will take shape if all indicators reach their target values for the intermediate objectives, which will be revised upwards over the years.

A dynamic vision will make it possible to follow the progress of the actors between two publications.

This vision is deliberately inspired by the Stockholm Resilience Centre's depiction of planetary boundaries[11] and Kate Raworth's doughnut theory[12] . We thought this representation framework relevant as it allows non-professional users to understand it without having to reduce the level of detail. It also makes it possible not to mix indicators and to show the granularity of information as it has been observed. Finally, we believe it is essential that the transition to a decarbonized or "Net-Zero" economy be carried out by considering planetary boundaries, which is planned for in our future developments.

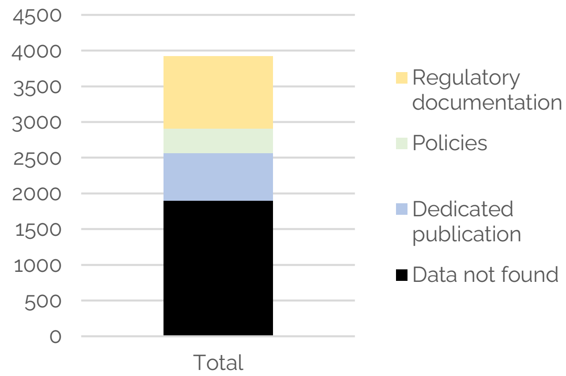
[11] https://www.stockholmresilience.org/research/planetary-boundaries.html
[12] K. Raworth, Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist, 2017

6. Analysis and statistics on Net-Zero Alliance guidelines and member publications

The rest of the report provides general, non-nominative statistics and analyses of the 30 actors included in the study, without weighting by assets or outstandings.

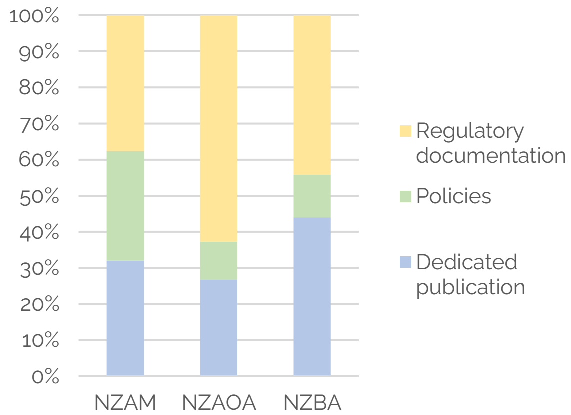
Breakdown of data from the three alliances

In total, we collected 3894 data points in the publications of the 30 members included in our scope of analysis, i.e. the 30 French members who have already published a first interim report. We did not find matching data in 48% of cases. We found data in the dedicated publications of the actors and on the websites of the alliances in 17% of cases, in the policies of the actors in 9% of cases and in the regulatory reports of the actors in 26% of cases.



Breakdown of data by alliance

However, the distribution of data by source type was not uniform, as NZAM members appear to disclose more of their data in their sectoral and exclusion policies, while NZBA members present more detailed dedicated publications. NZAOA members, on the other hand, present initial documents and policies that are less complete, and rely on their regulatory reports to provide as much information as possible.



It is important to emphasize the importance of regulatory reports, which make it possible to centralize and standardize information and represent 50% of the data found. France proposes a relatively high level of requirement in terms of transparency (notably through the 29LEC report for investment activities), which should not make the statistics presented above representative of all the signatory members of the alliances.

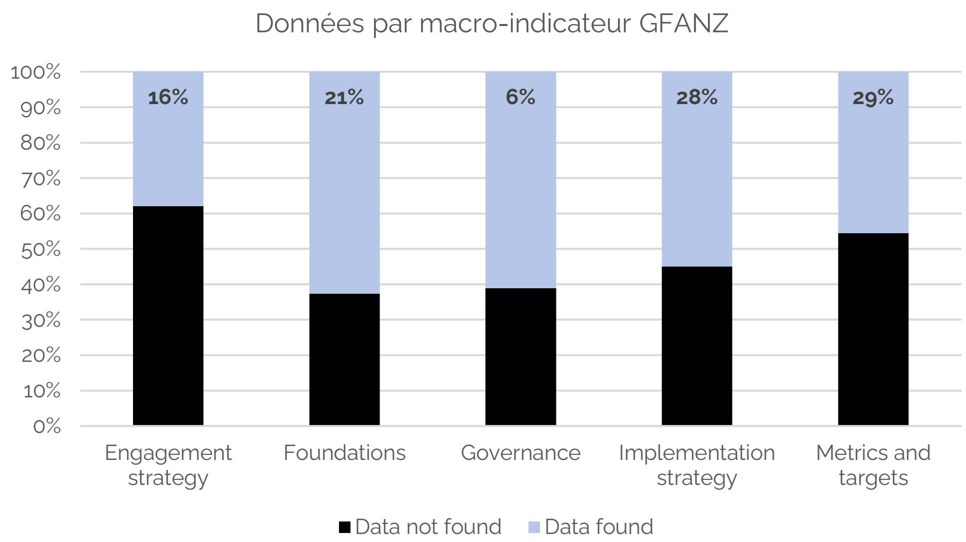
Breakdown of data by GFANZ macro indicator

Each indicator included in our analysis grids has been reclassified within the categories of the Net-Zero Transition Plan (NZTP) proposed by GFANZ. The most represented categories within the indicators are *Implementation Strategy* and *Metrics and targets,* representing 28% and 29% of the indicators respectively.

According to the data collected, there is a weakness when it comes to the *engagement strategy* among the members of the Net-Zero alliances. This can be explained by the wide range of data points regarding engagement and the fact that there is relatively few mandatory reporting on the engagement strategy. It should also be noted that shareholder engagement strategies are complicated practices to evaluate on an objective basis, with no standard established to date, since the data regularly put forward by financial actors (number of climate resolutions voted or number of individual/collective commitments) make figuring out their real intent and impact complicated. We have also proposed many new indicators in this area to try to set up a monitoring framework.

Similarly, *metrics and targets* data points [13] have a low fill rate, which may be due to the disparity of metrics studied as part of a Net-Zero commitment. Members tend to focus on data that directly relates to their own decarbonization measures and therefore end up neglecting a significant part of the rest, for example they favor emissions intensity over a monetary variable when the intermediate target formulated is carbon intensity according to a physical variable. Similarly, exposure data for thermal coal and oil & gas assets are not yet systematic publications despite their high level of importance[14]. Beyond the type of metric used, the details of members' carbon accounting (scopes of emissions and financial activities included, use of carbon offsets, etc.) is an essential point of improvement for future reports.

This data is expressed through the following graph, where the percentages account for the share of each NZTP pillar among all indicators included in the grids.



What are the intermediate decarbonization targets?

We have identified[15] four types of intermediate decarbonization targets:

- Absolute **decarbonization** aims to reduce the total carbon footprint of a sum of assets according to a sector or financial activity.
- Relative **monetary decarbonization** aims to reduce the intensity of a sum of assets according to a financial activity benchmark (millions of euros invested[16], millions of euros of turnover[17])
- Relative **physical decarbonization** aims to reduce the intensity of a sum of assets according to a physical activity reference specific to the sector concerned (kWh or MJ for electricity generation for example)

[13] GFANZ, *Financial Institution Net-Zero Transition Plans*, Theme: Metric and Targets, p77, 2022.
[14] Scientific Committee of the Sustainable Finance Observatory, *Guidelines of the Scientific and Expert Committee on unconventional hydrocarbons and alignment strategies*, 2022
[15] GFANZ, *Financial Institution Net-Zero Transition Plans*, 2022
[16] Similar to the carbon footprint as defined by the SFDR
[17] Similar to carbon intensity as defined by SFDR

- Alignment aims to decarbonize its assets according to a different metric from the carbon emissions of the underlying assets, and is generally based on external certification (share of assets with a transition plan validated by the SBTi, "measurement" of portfolio temperature according to an underlying indicator such as, to cite a few examples from MSCI, Carbone 4 or S&P Trucost).

The first observation is that actors often take several types of objectives, which is a good practice. The type of objective most adopted by financial actors in the scope of this report is alignment, especially for NZAM signatories who all present one. The signatories of the NZBA have targets for physical relative decarbonization, echoing the Target Setting Protocol which imposes it for sectoral sub-targets. The signatories of the NZAOA have a variety of intermediate objectives.

Type of metrics used by alliance	Absolute decarbonization	Relative monetary decarbonization	Relative physical decarbonization	Alignment
Total (30 actors)	**43%**	**30%**	**30%**	**57%**
NZAM (11 actors)	36%	18%	0%	100%
NZAOA (12 actors)	25%	58%	17%	50%
NZBA (7 actors)	86%	0%	100%	0%

Intermediate decarbonization targets are not the only levers to be mobilized, as members can commit to engagement objectives and climate solutions financing.

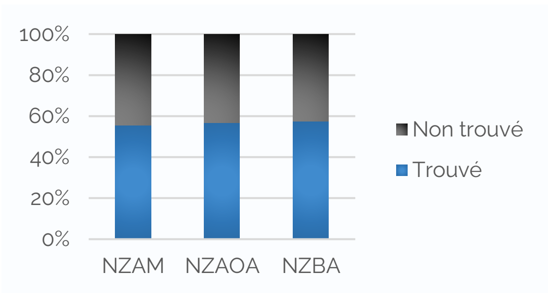
7. Update on the guidelines of the alliances

Alliance Guidelines

Not all of the alliances' guidelines were covered by our analysis, in some cases because the data collected did not allow for conclusions to be drawn, and in other cases because the guidelines themselves did not have a sufficient level of detail to determine which of their members were aligned and which were not. Some of these guidelines are included in the following table.

Guideline	Precision needed
Diligent approach to the use of evolving leading practices on the use of offsets	Clarify what is a *diligent approach*
Report information on climate solutions investment	Clarify what information is needed
Targets cover the most material sectors from an owned-carbon emissions strandpoint	Clarify how many sectors should be covered, or how much of the emissions should be covered
Chosen scenarios have reasonable assumptions on carbon sequestration achieved through nature-based solutions and land use change	Clarify what is a *reasonable assumption*
Targets are reviewed, and if necessary revised at least every five years to ensure consistency with the latest science	Clarify what is considered *necessary*
Targets include banks' clients' Scope 1, Scope 2, and Scope 3 emissions, where significant and where data allow.	Clarify what is *significant*
The scope and boundary of the targets account for a significant majority of the bank's portfolio emissions where data and methodologies allow	Clarify what is *significant*

In total, we have identified **160** indicators in our grids to provide answers to the alliances' guidelines, i.e. about 53 indicators per grid. The distribution rate of information found per indicator matching this description is similar across alliances, as shown in the following chart.



Compliance with Alliance Guidelines

The data from these 160 indicators allowed us to assess the compliance rate of members with the guidelines of their alliance, through *shall* and *should* guidelines.

The results are shown in the following table.

	Nb	% moyen	shall	should
NZAM	10	**86%**	86%	NA
NZAOA	16	**44%**	47%	38%
NZBA	14	**74%**	75%	71%

We observe that ***shall*** guidelines (mandatory) are more respected than ***should*** guidelines (strongly recommended) within the three alliances (NZAM does not discriminate and therefore all are treated as *shall*). Although close, the 100% compliance expected for *shall* guidelines is not achieved by the NZAM and the NZBA, and we observe a real difficulty for NZAOA members to align with the demands of their alliance. This can be explained by the diversity of the actors involved in an NZAOA commitment, that often involve the asset management partner companies of the committed members. The distribution of roles is not always made clear, and we have observed in some cases the **lack of a consolidated report at the level of the actor involved**, that would clearly identify the different actors included in the ambition and their respective responsibilities.

8. Details of observations by alliance

The interpretations presented below are the result of a comparison of the HLEG guidelines detailed in the appendix with the information collected through the grids. Results are presented by alliance to reflect sector-specific guidelines.

8.1 Net-Zero Asset Managers initiative (NZAM)

NZAM publishes the share of their members' total assets committed to their intermediate objectives. While not prejudging the quality of the ambition of the goal itself, the share of assets committed gives an indication of the extent of the commitment made by an actor.

The actors in the scope of this report commit an average of 60.3% of their assets to their interim objectives. This value should be put into perspective with the weighted average of assets employed, which corresponds to only 24.1% of the total assets of the actors. Some members commit the entirety of their assets while others limit themselves to a reduced portion, as shown on the table.

	Actifs engagés NZAM (BnUSD)	Part des actifs totaux
Membre 1	18	100%
Membre 2	14,7	0,64%

This transparency is not a widespread practice for other alliances.

Our analysis:

- *Net-Zero* Commitments *:*

All members published their Net-Zero commitments, with interim targets that do not, however, cover the entire scope of activities and assets as previously mentioned. 2030 is generally the time horizon chosen for medium-term targets (most often associated with a short-term target around 2025). The chosen reference date is usually 2019, 2021 or 2022. While these interim targets are good milestones that we commend, we did not find much information on the link between the objectives and the corporate strategy, nor on the conduct of independent audits.

All members analyze the physical and transition risks across their entire business. Most members have a baseline temperature of +1.5°C by the end of the century, and the IPCC scenarios are the ones that are chosen by the majority, along with the scenarios used through the SBTi (IEA, SDA). The stated targets cover the entire financial activities of only two members, which can be explained by the fact that there are not yet trajectories or methodologies available to align certain asset classes such as sovereign debt. We did not find information on potential triggers for a review of objectives.

- *Transition Plan :*

More than half of the members say they finance climate solutions, with no consensus on their definition: companies that "provide solutions" according to an external methodology, labelled funds, products whose ESG rating (i.e., combining various environmental, social and governance criteria, with a potentially reduced climate weighting) meets a certain threshold, projects that issue carbon credits.

A majority of members provide some information on the methodologies used and service providers employed to calculate the achievement of objectives (Net-Zero investment framework, SBTi, Carbone 4, CDC biodiversity, etc.).

A minority of members indicated that they calculate targets using a carbon price. We could not find any information on the financial plan supporting implementation (CAPEX). When the Net-Zero target gives rise to a sector-specific declination, it relates to the energy, oil and gas or coal sectors. Only a narrow majority of members use sectoral trajectories to set decarbonization targets. All members shall communicate on the share of total assets committed to the intermediate target. We found an indication of carbon credit use associated with the amount of emissions offset for a member.

All members indicated that the Board of Directors and senior management are involved in climate policies and strategies, as well as in the monitoring and implementation of the transition plan. The frequency of this monitoring by the board of directors can vary from several times a month to once a year. Some mention ad hoc committees set up to monitor the responsible investment policy or the climate and/or biodiversity strategy.

"All members indicate that the board and senior management are involved in climate policies and strategies, and in the monitoring and implementation of the transition plan."

All members indicate that they offer or impose training on employees (or some of them), four of whom have specific programs for managers. The content of the training courses is very variable, generic, or more adapted to the activities, and can take form in a short format or extended over several months. The number of trained employees is not always available, and it is sometimes found that these training courses reach a limited number of employees (new arrivals for example).

The number of employees dedicated to ESG is not always published and can be highly variable. A large majority of members indicated that they index executive compensation to ESG objectives, but only 1 member indicated the share of these criteria in total variable compensation.

- *Greenhouse gas emissions :*

The decarbonization targets of most members cover scopes 1 & 2, and at least part of scope 3 of assets under management. Half of the members published their absolute funded issuances in 2022. However, we did not find any accounting by sector, especially those considered carbon intensive. Only one member reported which gases were included in their emissions measurement, and 55% of members reported a tracking value for the share of their assets "aligned with 1.5°C".

To compensate for the lack of data, members are developing proprietary ESG analysis tools, but only one member declares a dedicated R&D budget for this topic.

We found information for only one member on the share of assets under management or the amount of investments in "climate solutions", and a single framework for categorizing "transitioning", "aligned" or "non-aligned" companies, as pushed by GFANZ in particular.

- *Phasing out fossil fuels:*

Regarding coal policies, 2 members of the perimeter already have no exposure to coal due to their strategic orientation, and on the contrary one member does not have a coal policy covering all its activities. Of the remainder, 75% commit to no longer being exposed to coal in OECD countries by 2030 and in the rest of the world by 2040, and 2 members are aligned

"91% of members have a coal trajectory aligned with the IEA's guidelines"

with a total exit by 2030. 91% of members therefore have a coal trajectory aligned with the IEA's guidelines[18].

100% of members still exposed to coal and with a dedicated policy have chosen to exclude coal infrastructure developers from their investment universes and have a clear threshold for exclusion based on at least one metric among the % of turnover, % of revenue, annual coal production in millions of tons and installed power generation capacity in GW.

In terms of scope, these policies apply to all activities in 50% of cases, while others are limited to certain ranges (open-ended funds, equity, and bond portfolios, ESG portfolios). 75% are deployed across the entire value chain of members exposed to thermal coal (upstream, midstream, and downstream). This heterogeneity of practices, both in terms of exclusion thresholds and scopes of application, undermines the comparability and credibility of practices.

"This heterogeneity of practices [...] undermines the comparability and credibility of practices."

In total, only 45% of members published the amount or share of their investments in the oil and gas sector for the year 2022.

- *Engagement Policy :*

A very large majority of members declare that they have a voting policy, an engagement policy and an exclusion or investment policy. A minority indicate that they carry out other actions such as considering social or environmental impacts, conducting due diligence, turning to new markets (unlisted), offering tailor-made financing solutions, training, data, or even conducting an analysis of the transition factors of companies. We found only limited information on the number of companies members wanted to engage with.

Regarding the voting policy, it should be noted that we found detailed information for a large number of members, covering all the votes for the majority of them. They also detail the application of the climate voting policy (at least partially) and publish an annual voting report and a commitment report. They commit to clear criteria, defined positively or negatively for a majority, but sometimes lack clarity about the underlying analysis and results. Some members state that they have an escalation policy, but not all of them detail the specific levels that can lead to a complete ban.

A member declares that they have a voting policy that is coordinated with their peers. Several members base their voting policy on published and "credible" transition plans, a term found in various members' publications. The inclusion of all emission scopes for votes is not systematic. Some members distinguish between votes on strategy and objectives and votes on progress, allowing them to refine their voting policy. Members generally communicate on the number of resolutions voted on each year.

Asset managers have significant levers of commitment that take the form of individual or collective actions and voting at annual general meetings. These commitment actions are based on the members' sectoral policies, which aim to protect themselves from high-carbon assets or assets that are not committed to decarbonizing their activities. Detailed escalation policies are supposed to prevent this, setting milestones for engagement and divestment when necessary.

"Asset managers have significant levers of commitment that materialize in the form of individual or collective actions and voting at AGMs."

Of the 11 signatory members of the NZAM, 9 or 82% explicitly mentioned an exclusion process to divest assets hindering their own transition. It is important to remember that, although part of an

[18]International Energy Agency, Global Commission for urgent action on energy efficiency, 2020

exclusion strategy, the practice of exclusion (which promotes the alignment of an actor beyond a contribution to the transition of the real economy) is to be used as a last resort by asset managers.[19]

- *Progress Against Commitments :*

Half of the members communicate on their current level of alignment as a percentage of aligned assets. We did not find any information on targets that have already expired. We did not find any member who committed not to postpone the date of their commitments.

A majority of members indicated that the metrics of the interim decarbonization targets had evolved in the right direction, without giving details on the activities concerned. Disclosures on changes to products and services contributing to the energy transition are generally vague formulations about diversifying the supply of ESG/climate funds. A majority of members calculates the current alignment only on Article 8 & 9 according to the SFDR, or equity portfolios. 27% of members indicate that they have completed a climate stress test.

8.2 Net-Zero Asset Owners Alliance (NZAOA)

Our analysis

- *Net-Zero Commitments:*

Asset owners' net-zero commitments provide less publications than those of members of other alliances and do not cover the entire value chain. All members mentioned the validation of the objectives and strategy by the highest governance bodies, with a leading role for the senior management, the board of directors and certain committees, whose roles are generally described in the transition plan. A quarter of members communicate on the frequency of target reviews, often over a 5-year time frame. The majority of the interim targets are set at 2025 (two-thirds of the members) or 2024 (one-third of the members). The average number of intermediate targets is 3.

A majority of members indicate that they are based on the IPCC or IEA scenarios and are based on a reference temperature of 1.5°C (a quarter of members follow a 2°C scenario). Half of the members say they analyze climate risks on a range of activities. Half of the members publish information on the methodologies they use to set sectoral targets.

- *Transition Plan :*

A majority of the transition plans include scopes 1 and 2 of the investee issuers. For a small majority of members, the global objectives are articulated with sectoral objectives, particularly on coal and oil & gas. However, there are variable, sometimes incomplete, scopes and variable release dates. We found no information on mechanisms for systematic recalculation of objectives, nor on the levers and resources allocated to support the implementation of the plan.

A slight minority of the members give indications of their training policy, which most often concerns only some of the employees. Training can be in-house or provided by external providers. The number of trained employees varies enormously (sometimes focused on certain professions or certain themes). A slight minority of members indicated that training is not renewed annually.

[19]SBTi, Foundations for science-based net-zero target setting in the financial sector, Guiding Principle 3, p 29, 2022

A majority of members indicated that they index executive compensation to ESG criteria, but only 2 gave details on the scope of the employees concerned and the percentage of ESG criteria (including transition or climate) in the total variable portion.

One member indicated that it had a just transition policy in place as a founding member of the *Investors for a Just Transition* coalition. A majority of the other members mention the social criteria taken into account but do not systematically link it to a just transition policy or to their climate objectives.

- *Greenhouse gas emissions :*

A minority of members identified how much of their financed emissions were attributable to the asset classes included in their interim decarbonization targets, contributing to a comprehensive understanding of the scale of their ambitions. Three-quarters of the members' objectives are formulated for corporate equity and bond portfolios, the most common practice according to our data collection. Two of them encompass all their investment activities. This places the members' partner asset managers at the heart of their ambition and makes them dependent on their responsible management policies and practices. In these cases, a description of the processes by which members work with their partners would help to understand how they can maintain control over their own commitments.

"No actor details its approach to carbon offsetting."

None of the actors provided information on their approach to carbon offsetting, except for one member indicating that it offered its clients an investment product in which all emissions were offset.

Three-quarters of members have published the carbon footprint or carbon intensity of their investments, of which only 2 have used both methods. A quarter of the members present a breakdown of their carbon footprint by sector, a practice that makes it possible to understand their emissions profile and identify which sectors should be prioritized in the second publication of interim targets requested by the NZAOA to increase the number of sectors concerned.

To address the lack of data, a quarter of members have adopted a proprietary ESG analysis methodology.

- *Fossil fuel phase-outs :*

Only one member of the perimeter did not formulate sectoral policies dealing with fossil fuels. Of the remainder, a large majority have pledged to be coal-free in OECD countries by 2030 and in the rest of the world by 2040, and only 1 is aligned with a total exit by 2030.

To achieve these goals, two-thirds of members have adopted a systematic exclusion of companies developing new coal projects. 1 actor has adopted a conditional exclusion based on the MW capacity of the expansion projects. Almost all members have adopted exclusion thresholds in terms of revenue share (from 5% to 25% of turnover), a slight majority in annual production (from 10 to 100Mt), and a slight minority in installed capacity (from 5 to 10GW). Half of the members refuse to provide new financing based on several criteria: unconventional oil and gas development, lack of a transition plan aligned with 1.5°C 2050.

In terms of scope, the policies of a quarter of members apply to the entire coal value chain, and those of two-thirds apply to at least thermal coal mining and power generation activities. and largely apply to investment activities. They mainly apply to investment activities.

A majority of members agree to keep assets exposed to coal but have formulated a decarbonization plan aligned with their own ambitions, i.e. a definitive exit in 2030 or 2040 depending on the geographical area.

- *Engagement Policy :*

"Half of the members do not have a voting policy or have delegated it to their asset manager. "

Only half of the members have an engagement policy. Half of the members do not have a voting policy or have delegated it to their asset manager. Regarding the policies that are published, they are sometimes incomplete (for example, the mention of escalation measures is often missing, and some policies are very lacking in detail). Some detail the votes on *the say on climate*, but others include them in the votes on the other resolutions). A small number of members publish their voting records, and only one member publishes explanations for a negative vote.

We found information on the number of companies for which the engagement policy had been implemented for only a minority of members, with widely varying degrees of detail. Only one member gives the exact breakdown of the number of companies per share of the commitment policy. Overall, engagement approaches differ from one member to another, reducing comparability.

- *Progress Against Commitments:*

Half of the members report on the share of thermal coal investments in total assets under management (all <1% of assets under management, with 1 member indicating an increase in this share in binary in 2022). A majority of members commit to publishing progress annually and another on a regular basis, but only a third go so far as to analyze progress against Net-Zero goals.

A slight minority of members report the number of resolutions passed. We did not find any information on engagement policies with clients, public authorities or associations and alliances. A majority of members publish a dedicated engagement report, and a minority indicate that an interim target has been met.

A small minority publishes the share of companies in their investment portfolios that are aligned either with a target temperature of +1.5°C or with a metric such as SBTi alignment (all <20% on variable scopes). A minority of members provide specific guidance on products and services to support the transition. Half of the members give indications of the implied temperature of asset classes, which is very rarely broken down by sector.

2 members reported on avoided emissions, but we do not have information on offset emissions. A minority indicate that the metrics of the intermediate objectives are moving in the right direction, without giving details, and the same proportion communicate the amount of annual investments in thermal coal and the oil and gas sector, but do not always give details (share of total investments, comparison with other years, etc.). A majority communicate on investments in climate solutions by giving more details than on high-emitting sectors.

8.3 Net-Zero Banking Alliance (NZBA)

Our analysis:

- *Net-Zero Commitments:*

The member institutions of the NZBA generally make public commitments, which are validated, monitored and under the responsibility of the highest management and executive bodies. But in detail, members communicate more often about targets than about the company's overall commitments.

Targets are usually set for a period of 5 years. Members generally do not make a firm and public commitment not to postpone the execution date of targets. Net-Zero commitments are often made on only a part of the business, even though all members seem to be analyzing climate risk across their entire business. We found very few established links between the company's strategy and Net-Zero commitments. The information collected makes it possible to find references to certain targets targeted at sectors (in particular oil & gas and automotive) or percentages of assets under management covered by Net-Zero objectives.

- *Transition Plans :*

We have identified intermediate targets for all members of the alliance. For a minority of members, these targets are linked to an emission scope (mostly scopes 1 & 2 of the companies financed). Even more rarely, targets are associated with financial activities. The information found relates to short-term targets (maximum 2030), but not beyond.

"We did not find a target that encompassed all of the member's activities. "

The reference year is mostly 2020 but may vary depending on the objectives. We did not find a target that encompassed all the members' activities. Rather, they are focused on portfolios, customer segments, products, or businesses. We did not identify any available information on the financial investments mobilized for the implementation of the transition plan. Targets are often set based on the IEA NZE 2050 scenario, with a reference temperature of 1.5°C. The number of targets can vary significantly between members. Almost all members have set targets for the short (mostly 2030), medium and long term. The sectoral objectives are mostly set for the electricity sector, and sometimes applied to other sectors (notably oil and gas), but in a fairly global way.

A majority of members indicated that climate issues as well as the implementation of Net-Zero commitments are monitored by the Board of Directors (sometimes several times a year). Several members mentioned committees dedicated to monitoring certain themes (often differentiating between CSR and climate risk).

The level of detail of the actions to achieve the targets is very low in the information we have used. A few members mentioned exclusion policies for companies in the most emitting sectors. All members plan to finance climate solutions using their own definitions (green bonds, renewable energy, impact mortgages, personal impact loans, energy retrofit loans, philanthropic activities), and some members already account for them in their reports.

Half of the members mention training provided to employees, several of which refer to the climate fresk. We found very little information on the exact content and frequency of these trainings. A large majority of members say they index executive compensation to ESG objectives.

Members who mention just transition refer to sectoral policies or inclusion targets that are too vague to be analyzed.

- *Greenhouse gas emissions :*

The scope of assets included in the decarbonization targets is not standardized within the same sectors, and varies between scope 1, scope 1&2, scopes 1, 2 & partial scope 3, full emissions, and partial scope 3 only. The entirety of the intensity decarbonization targets are defined with physical intensity metrics as defined by the *target setting protocol*. All members have set targets for the power generation sector, all but one for the oil and gas sector, and more than two-thirds for other sectors such as transport (aviation, maritime, automotive) and cement. Some members have adopted a proprietary ESG analysis methodology to address the lack of data.

The reporting of financed issues is done on the credit portfolio in all cases. In terms of transparency of funded emissions data, 1 actor reported using carbon offsetting aligned with the alliance's guidelines (additional where there is no viable alternative), and a large majority published their emissions data by sector.

- *Fossil fuel phase-outs :*

Only one member reported no exposure to thermal coal in 2022, and 71% of members indicated that they had excluded all coal developments from their funding universe. The other members have an oil and gas exit policy. All members foresee a global phase-out of thermal coal in 2030 for OECD countries and by 2040 for the rest of the world (one member commits to a global phase-out by 2030). A majority of members publish their emissions by sector.

"71% of members indicated that they had excluded all coal development from its financing universe "

A majority of members are committed to stopping financing to coal developers, whose exclusion thresholds are usually defined as a % of turnover but can vary significantly enough to take into account the volume of annual production or installed electricity generation capacity. In terms of scope, only 29% of members provided details of the thermal coal value chain relevant to their policy.

43% of members reported their financed emissions attributable to thermal coal assets and 57% of members reported their financed emissions attributable to oil and gas assets (absolute or relative). One member declares that it uses carbon offsetting in line with the rules of the alliance.

As with the NZAM and the NZAOA, the differences in observed practices hinder comparability between actors.

- *Engagement Policy:*

We found a certain amount of information on engagement policies, but sometimes in a slight level of detail, particularly on the escalation policy, which does not always allow us to fully cover the its implementation triggers. Engagement policies generally affect the fossil fuel sectors. We could not find any information on policies for engagement with customers or with public authorities, associations, and alliances.

We found very little information on the methodologies used by members to assess the decarbonization trajectories of funded companies and very little information on members' actions to support funded companies' fossil fuel exit policies. It should be noted, however, that some members are committed to companies by providing, for example, support, advice, or carbon assessments. We found no policy on stranded assets, nor any information on how much of the R&D budget was dedicated to climate change.

- *Progress Against Commitments:*

Overall, information on progress is rather fragmented on all subjects. It is not clear from members that they are committed to time horizons for the implementation of their interim targets. A majority of members indicated that they had revised some targets upwards, but most of the time without giving a clear indication of the content of the revision. 2 members provide information on the results of the climate stress tests.

Only one member indicated that they had already achieved a target that had already expired (it is not known whether the others did not have an expired target or did not meet these targets). Annual publications of greenhouse gas emissions will make it possible to monitor progress provided that the reporting perimeters remain the same. There is also less information on investments and financing, and it is less harmonised.

9. Proposed guidelines

9.1 Guidelines to the GFANZ and The Alliances

1. **The Alliances** should ask their members to publish a single document outlining each component of their Net-Zero ambition, detailing the role of each entity involved, including the projected alignment or decarbonization milestones and all data related to these objectives (sectoral policies, commitment, product implementation, associated CAPEX and OPEX, etc.) as well as the theory of change adopted. If necessary, this document could feed into the Art. 29 LEC report on the climate strategy.
2. **The GFANZ** should set out a framework for categorizing companies (climate solutions, aligned, non-aligned, other intermediate categories, other companies for which the climate issue is not material) that would serve as a basis for financial institutions to set targets for financing (climate solutions, aligned companies), commitment (non-aligned companies) or discontinuation of financing (non-aligned companies because of an escalation process). This framework should be relayed by **the alliances** to their **members**, that should operationalize it by categorizing their companies into portfolios.
3. **The GFANZ** and **the alliances** should ensure regular dialogues with their members to ensure the coherence of each other's actions.
4. **The GFANZ** should propose a common functioning of the alliances by ensuring that their guidelines are well combined with the GFANZ Net-Zero Transition Plan.
5. **The Alliances** should incentivize increasing the granularity of the intermediate targets needed to be a signatory, differentiating by sector, asset class and types (engagement, decarbonization, alignment, financing).
6. **The Alliances** should ensure that signatories comply with the mandatory guidelines and include them in their progress reports.
7. **The Alliances** should refine their guidelines to leave as little room for interpretation as possible, such as the definition of climate solutions to be adopted.
8. **The Alliances** should increase the scope of their demands on signatories, particularly in terms of transparency and monitoring of progress, while relying on external frameworks tracing the relevant indicators to assess a financial actor's Net-Zero approach.
9. **The Alliances** should standardize and ask for the annual publication (amounts and definitions) of carbon credits, stranded assets, avoided emissions, facilitated emissions. And if possible, break it down by sector.

9.2 Guidelines to Regulators

10. **Regulators** should strengthen the disclosure standards associated with Net-Zero commitments to ensure their comparability over time.
11. **Regulators** should specify the duration and content of mandatory training for the most involved managers and employees.
12. **Regulators** should make ESG criteria mandatory in the variable compensation of financial institutions' executives and specify how they are calculated.
13. **Regulators** should specify and standardize metrics for reporting funded emissions to allow for more detailed tracking of progress over time.

9.3 Guidelines to Members

14. **Members** should set intermediate targets for absolute decarbonization, relative decarbonization, alignment, climate finance and engagement and **alliances** should promote the plurality of targets.
15. **Members** should publish monitoring data to put values into perspective. For example, exposure to coal assets should be published in absolute terms and relative to total assets, as well as in the value of exposure to actors (100% of the exposure counted as coal assets) and in relative terms (the share of the asset's activities exposed to coal cross-referenced with the asset exposure). In the same way, the sum of the assets managed in the Net-Zero approach should be published with the share of what they represent in the total assets managed by the actor.
16. **Members** should publish the percentage of their total assets committed to the Net-Zero ambition, regardless of the asset classes concerned.
17. **Members** should aim for all of their assets committed to their Net-Zero journey and set different targets per asset class when a methodology such as SBTi is available.
18. **Members** should set at least one target per time frame (2025, 2030, 2040 & 2050).
19. **Members** should publicly declare their decision-making on certain aspects of their decarbonization ambition (carbon offsetting, alliances and coalitions taking positions against emissions reductions).
20. **Members** should detail the events and situations that may lead to a review of their objectives before the end of the term.
21. **Members** should publish their engagement process based on their sectoral policies and detailing the escalation process that can lead to exclusion.
22. **Members** should ensure the transparency of their activities and the granularity of their disclosures, even if their asset mix is already relatively decarbonized.
23. **Members** should strive to set targets across the company's operations and include the entire value chain.
24. **Members** should seek to strengthen training, in particular for senior executives, to give them a more detailed knowledge of sustainable finance and by linking impact issues.
25. **Members** should improve transparency on their lobbying efforts and support for regulatory initiatives to achieve their Net-Zero goals.

10 Limits and outlook

We are aware of some limitations to this study, which is why we insist on its evolutionary nature.

We were only able to cover 70% of the proposed indicators with a target to be achieved due to the lack of a reference framework. To this end, we are calling for the input from any stakeholder who wants to inform us of a framework that will allow us to improve or complete our evaluations. Finally, we will also propose to the Scientific and Expertise Committee of the Sustainable Finance Observatory to establish an evaluation framework for the missing indicators.

We are also aware that we do not cover certain essential aspects of climate strategies for which we have not identified a frame of reference. We are thinking of carbon budgets, which are essential to ensure that the path taken to achieve neutrality does not cross climate tipping points, but for which we have not found a methodological framework applied to financial actors. We are also thinking about the interdependencies of actions on biodiversity.

This first edition provides an overview of alliance signatories' Net-Zero commitments and will be replicated in a more holistic and granular way as the iterations progress.

The proposed methodology is therefore likely to evolve according to the evolution of the alliances, of course, and according to the feedback we will receive following the publication of this report.

Among the developments already identified and depending on the resources available, we plan to extend the analyses to new geographical regions.

We have also identified complementary indicators that could help cover a greater proportion of the alliances' guidelines.

Finally, we have the long-term ambition to add a vision that goes beyond the 5 pillars of the GFANZ NZTP, encompassing a greater number of themes and illustrating the interdependence of climate with other environmental components.

We invite stakeholders included in the scope of this study (detailed in the appendix) to contact us to ascertain the data points we have been able to collect in order to provide these analyses and contribute to the improvement of this process.

Such exchanges would illustrate the difference in data found between internal reporting and external analysis and the interest of offering a single, holistic, and public document. We will publish the statistics of discrepancies between our external analysis and the update following exchanges with stakeholders.

To ensure that the data detailed in this report is made publicly available, regulatory frameworks need to evolve and require greater granularity of information from stakeholders, a movement that should also be adopted by the Net-Zero alliances and GFANZ.

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12 Annexes

List of actors included in the scope of the project

NZAM	NZAOA	NZBA
Amundi AXA Investment Managers BNP Paribas AM Capital Group Comgest LBPAM La Financière de l'Echiquier La Française AM Meridiam Mirova Rothschild & Co Asset Management Europe	Aema Group AXA – Group Management Services BNP Paribas Cardif BPCE Assurances Caisse des Dépôts CNP Insurance Crédit Agricole Assurances ERAFP RIF Groupama SCOR SE Societe Generale Assurances	BNP Paribas Agricultural credit Crédit Mutuel Groupe BPCE La Banque Postale Societe Generale HSBC

Net-Zero alliances guidelines considered for the compliance data

NZAM	2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
	5. As required, create investment products aligned with net-zero emissions by 2050 and facilitate increased investment in climate solutions
	7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net-zero emissions by 2050 or sooner
	b. Set an interim target for the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner
	Baseline and target years
	Information on the asset manager's policy in relation to fossil fuel investment
	Methodology used to set targets
	Proportion of AUM to be managed in line with net-zero
	Quantified target(s) to be achieved by target year
	Underlying science-based net-zero scenarios/pathway from which targets are derived
NZAOA	▪ disclosing annually and publicly on progress towards intermediate individual targets, including on investment portfolios' emissions profile and emissions reductions
	▪ Publishing intermediate individual targets
	annual public reporting on investment portfolios' emissions profile and emissions reductions.
	annual public reporting on progress towards intermediate targets
	engage, at a minimum, 20 companies with a preferential focus given to companies that the asset owner believes will have the largest real-world decarbonization impact (e.g., those with the highest owned emissions in their portfolios), or those responsible for a combined 65% of the respective member's owned emissions in their portfolio.
	Report information on climate solutions investment
	Reporting on their progress in climate solution investments and their support in driving change
	Scope 3 targets for underlying holdings set on priority sectors
	Set targets of all four types
	Set targets on three types including engagement
	Targets on financed emissions
	Targets on scope 1 and 2 emissions

	targets set across their listed equity, publicly traded corporate bonds, real estate (equity and commercial-debt), infrastructure (equity and debt) as well as private equity portfolios
	targets set for 2030 and cover at least 70% of total owned emissions
	targets set on an absolute or intensity-basis (over capitalisation, revenue or EVIC)
	Portfolio scope 3 emissions tracking
NZBA	align the emissions attributable to investment with pathways to net-zero by 2050 or sooner
	align the emissions attributable to lending with pathways to net-zero by 2050 or sooner
	Annual reporting of emissions where targets have been set: ▪ absolute emissions, and portfolio-wide emissions intensity (e.g., CO2 e/$ lent or invested), and ▪ ▪ sector-specific emissions intensity (e.g., CO2 e/metric)
	Annual reporting of the issues profile of their lending portofolios and investment activities
	chosen scenarios are no- or low-overshoot
	chosen scenarios come from credible, well-recognised sources (e.g., IEA, IPCC, NGFS, etc.)
	chosen scenarios limit global warming to 1.5°C by the end of the century
	disclose which scenario their climate targets are based upon (scenario name, date, and provider)
	intermediate and long-term targets are set based on: ▪ Absolute emissions; and/or ▪ Sector-specific emissions intensity (e.g., CO2 e/ metric)
	targets are approved by the highest executive level and reviewed by the highest-level governance body in the bank
	targets are part of broader organisation's strategic plans
	Targets cover lending
	targets include sector-specific and/or portfolio-wide targets for 2030 or sooner
	the base year for the targets are set to no more than two full reporting years prior to the year when the target is set

Indicators from the HLEG guidelines that guided the individual analyses of the alliances

Net-Zero Commitment:	Net-Zero Commitment Must Be Enterprise-Wide
	The commitment must be public
	The commitment must be endorsed by the governing bodies
	The commitment must reflect the company's fair share
	The commitment must contain targets set for 5 years
Business Transition Plan	The plan must propose concrete actions to achieve carbon neutrality
	Carbon neutrality must be defined according to the IPCC or IEA scenarios of warming to 1.5°C
	The plan should cover a company's entire value chain
	The plan must be put in place quickly; It must contain short-, medium- and long-term actions to reduce emissions by 50% by 2030
Greenhouse Gas (GHG) Emissions:	Reducing GHG emissions must be a priority
	Reducing GHG emissions must cover the entire value chain
	Carbon credits can only be used to reduce GHG emissions beyond the company's value chain and should not be included in the calculation of interim targets
Engagement Policy:	Financial institutions need to align their lobbying and engagement practices with public actors with their climate commitments
	Fossil fuels:
	Financial institutions' transition plans must include no longer supporting fossil fuels

Biodiversity and other environmental objectives:	By 2025, financial institutions must ensure that their operations and those of the entire value chain do not contribute to deforestation, and the destruction of natural spaces (investment, credit and financing policies, especially in the agricultural sector)
Progress Against Commitments:	Financial institutions must publish a report detailing progress against Net-Zero commitments
	This report must include GHG emission reduction performance relative to the base year
	These reports must be verified by an independent body.
	These reports are to be published on the UNFCCC Global Climate Action Portal

GFANZ NZTP diagram as a reference