

# Financial Institution Net-zero Transition Plans

Date: 22 June, 2022



## OPENING HOST



**Mary Schapiro**  
Vice Chair, GFANZ

## PANELLISTS



**Joy Williams**  
Executive Director,  
Financial Institution  
Transition Planning,  
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**Peter Kanning**  
Global Head of  
Sustainable Finance  
Strategy &  
Implementation, HSBC



**Paddy Arber**  
Group Head of  
Government  
Engagement -  
Sustainability, Aviva plc

**GFANZ**

Glasgow Financial Alliance for Net Zero

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# Consultation details



**OPENING**  
**15 June**



**CLOSING**  
**27 July**

## HOW

1. Download and read the report
2. Complete our survey

Both  
available at  
[gfanzero.com](https://gfanzero.com)

## WHO

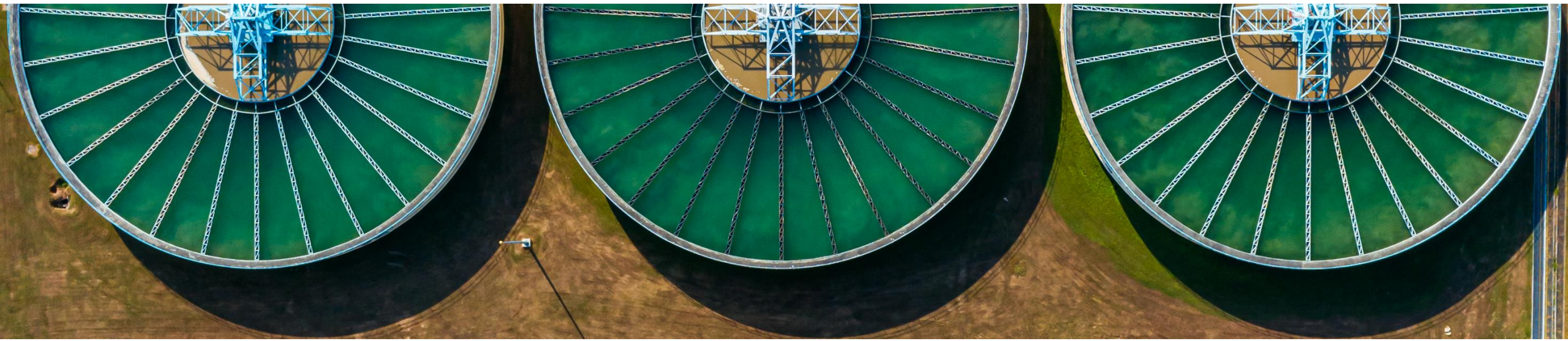
We encourage all that are involved in the financial sector to take part

## WHY

This is your opportunity to provide input into key recommendations and guidance for the whole industry



# There are three parts to the report



## A

Introduction

## B

Recommendations,  
guidance and examples



*Deep dive in the following slides*

## C

Supporting material and  
areas of future work



## Definition of a net-zero transition plan

# NET-ZERO TRANSITION PLAN

A set of goals, actions, and accountability mechanisms to align an organization's business activities with a pathway to net-zero GHG emissions that delivers real-economy emissions reductions in line with achieving global net zero.

For GFANZ members, a transition plan must be consistent with achieving net zero by 2050, at the latest, in line with global efforts to limit warming to 1.5°C, above preindustrial levels, with low or no overshoot.



# Four key approaches in which the financial sector can support the real-economy net-zero transition

**Financing or enabling the development and scaling of climate solutions to replace high-emitting technologies or services.** This approach proactively encourages the expansion of climate solutions in the real economy, critical to achieving economy-wide emissions reductions and a prerequisite for providing clean alternatives to high-emitting activities and a just transition.

**Financing or enabling companies that are already aligned to a 1.5°C pathway.** This approach supports climate leaders and signals that the finance sector is seeking transition alignment behavior from the real-economy companies with which it does business.



**Financing or enabling the transition of real-economy firms according to transparent and robust net-zero transition plans in line with 1.5°C-aligned sectoral pathways.** This approach supports the implementation of transition plans by firms in both high-emitting and low-emitting sectors, and should be appropriately conditional. Firms can also work to influence others to support the transition, e.g., policymakers and standard setters.

**Financing or enabling the accelerated managed phaseout (e.g., via early retirement) of high-emitting physical assets,** as outlined by a managed phaseout framework. GFANZ believes this activity is essential to reducing global emissions and supporting a smooth economic transition.



## FOUNDATIONS

1. Objectives and priorities



## IMPLEMENTATION STRATEGY

1. Products and services
2. Activities and decision-making
3. Policies and conditions



## ENGAGEMENT STRATEGY

1. Clients and portfolio companies
2. Industry
3. Government and public sector



## METRICS AND TARGETS

1. Metrics and targets



## GOVERNANCE

1. Roles, responsibilities, and remuneration
2. Skills and culture

### FOUNDATIONS

Organization-wide net-zero objectives, targets, timelines, and priority approaches

### IMPLEMENTATION STRATEGY

Aligning business activities, products, services and policies with net-zero objectives and priorities

### ENGAGEMENT STRATEGY

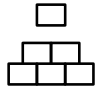
Communicating and collaborating with clients, portfolio companies, industry peers, civil society, and the public sector in support of net-zero objectives

### METRICS AND TARGETS

Metrics and targets to assess and monitor progress towards net-zero objectives

### GOVERNANCE

Structures for oversight, incentivization, and supporting implementation of the net-zero transition plan



# RECOMMENDATIONS

## FOUNDATIONS



### Objectives and priorities

- Define the organization's objectives to reach net zero by 2050 or sooner, with measurable targets, milestones, and timelines
- Identify the priority approaches of net-zero transition action considering
  - Financing climate solutions
  - Decarbonization through seeking net-zero-aligned clients and portfolio companies
  - Working to bring clients and portfolio companies into net-zero alignment
  - Supporting managed phaseout projects

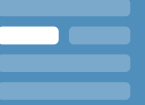






# RECOMMENDATIONS

## IMPLEMENTATION STRATEGY



### Products and services

- Align existing and new products and services with a 1.5°C net-zero pathway to accelerate and scale the net-zero transition in the real economy
- Provide transition-related education and advice
- Support portfolio decarbonization in accordance with the institution's net-zero transition strategy



### Activities and decision making

- Embed the financial institution's net-zero objectives and priorities in its core evaluation and decision-making tools and processes, to support its net-zero commitment
- This applies to both top-down/oversight structures and bottom-up tools and actions

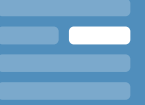
### Policies and conditions

- Establish and apply policies and conditions on priority sectors and activities, such as thermal coal, oil and gas, and deforestation
- Include other sectors and activities within lending, investment, and underwriting portfolios that are high-emitting, or otherwise harmful to the climate to define business boundaries in line with the institution's net-zero objectives and priorities



# RECOMMENDATIONS

## ENGAGEMENT STRATEGY



### Clients and portfolio companies

- Proactively and constructively provide feedback and support to clients and portfolio companies to encourage net-zero-aligned transition strategies, plans, and progress with an escalation framework with consequences when engagement is ineffective



### Industry

- Proactively engage with peers in the industry to
  - A. Exchange transition expertise as appropriate, and collectively work on common challenges
  - B. Represent the financial sector's views cohesively to external stakeholders such as clients and governments

### Government and public sector

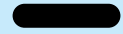
- Ensure that direct and indirect lobbying and public-sector engagement advocate for policies that support/enable an accelerated and orderly transition to net zero, and do not contravene any net-zero commitments of the institution
- Review portfolio companies' lobbying and advocacy efforts and utilize engagement levers to encourage consistency with the institution's own net-zero objectives
- Discuss clean investment plans and policies with governments and other key stakeholders to help attract private investment in climate solutions





# RECOMMENDATIONS

## METRICS AND TARGETS



### Metrics and targets

- Set targets against key metrics that support the net-zero strategy and priorities, including
  - Targets for support and scaling of climate solutions
  - Engagement
  - Internal implementation
  - Financed GHG emissions, and
  - Managed phaseout projects (where relevant)
- Monitor a range of metrics to assess progress in implementing the net-zero transition plan





# RECOMMENDATIONS

## GOVERNANCE



### Roles, responsibilities, and remuneration

- Define roles for Board and senior management so they have ownership, oversight, and responsibility for the net-zero targets
- Assign appropriate individuals and teams to all aspects of both design and delivery
- Review the transition plan regularly to ensure material updates/developments are incorporated, challenges are reviewed as an opportunity to course correct, and implementation risks are being managed



### Skills and culture

- Provide training and development support to the teams and individuals designing, implementing, and overseeing the plan so that they have sufficient skills and knowledge to perform their roles (including at the Board and senior management level)
- Implement a change management program and foster open communications to embed the net-zero transition plan into the organization's culture and practices