GFANZ
Glasgow Financial Alliance for Net Zero

# GFANZ
# Measuring Portfolio Alignment

**Key Messages**

December 2022

# Agenda


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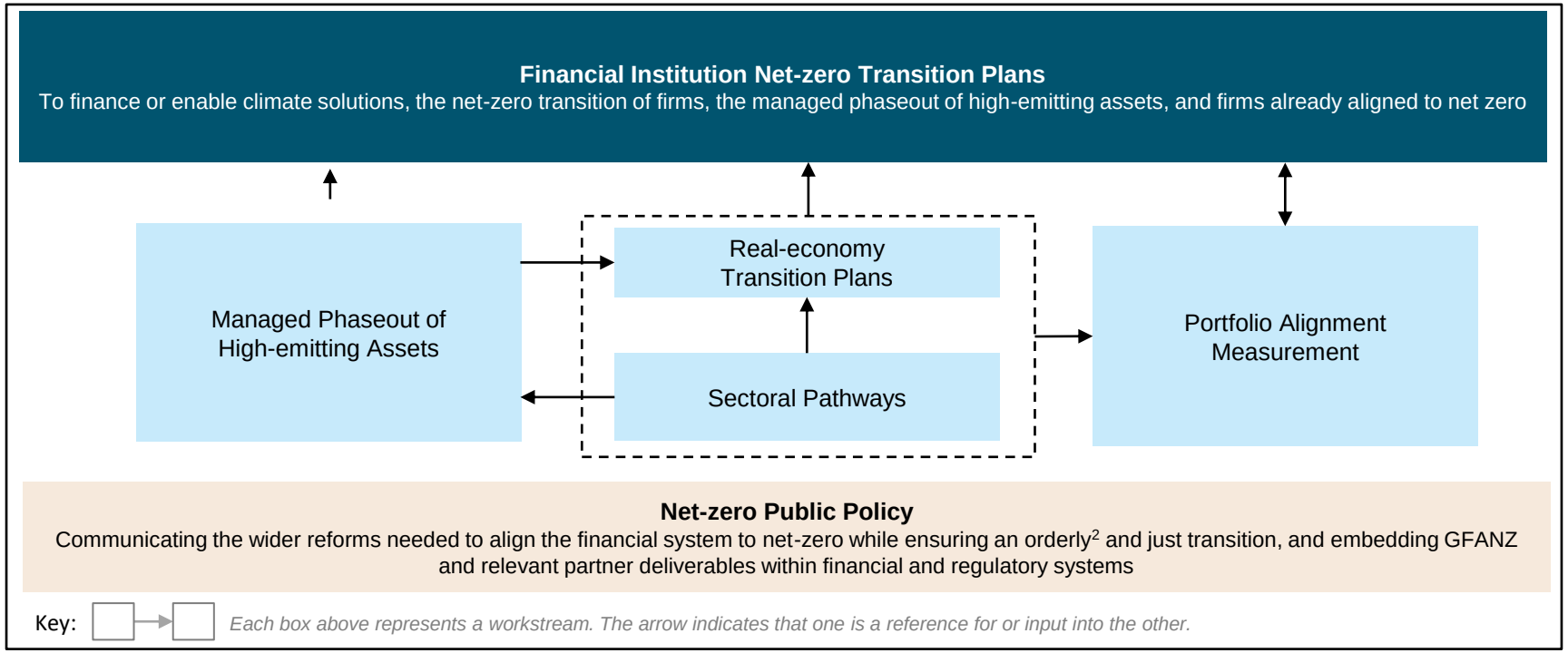
# 1

# Overview of GFANZ Transition Plan Work Program

# GFANZ 2022 net-zero transition planning work program

**GFANZ 2022 Transition Planning Work Program[1]**




**Climate Transition-related Data — Climate Data Steering Committee**
GFANZ is supporting efforts to enhance transparency to monitor climate actions and commitments, and arm financial institutions with the information they need to develop and execute on their transition plans

**Energy Transition**
The GFANZ Secretariat is working with other organizations to assess challenges and issues particular to the energy sector transition and the role of the financial sector

*1. GFANZ has an additional workstream focused on Mobilizing Capital to Emerging Markets & Developing Economies, not featured on this graph*
*2. GFANZ uses the term "orderly transition" to refer to a net-zero transition in which both private sector action and public policy changes are early and ambitious, thereby limiting economic disruption related to the transition (e.g., mismatch between renewable energy supply and energy demand). For reference, the Network for Greening the Financial System (NGFS), which develops climate scenarios used by regulators and others, defines "orderly scenarios" as those with "early, ambitious action to a net-zero GHG emissions economy," as opposed to disorderly scenarios (with "action that is late, disruptive, sudden and / or unanticipated"). In an orderly transition, both physical climate risks and transition risks are minimized relative to disorderly transitions or scenarios where planned emissions reductions are not achieved. This explanation applies to all mentions of the term "orderly transition" in this document*

# 2A

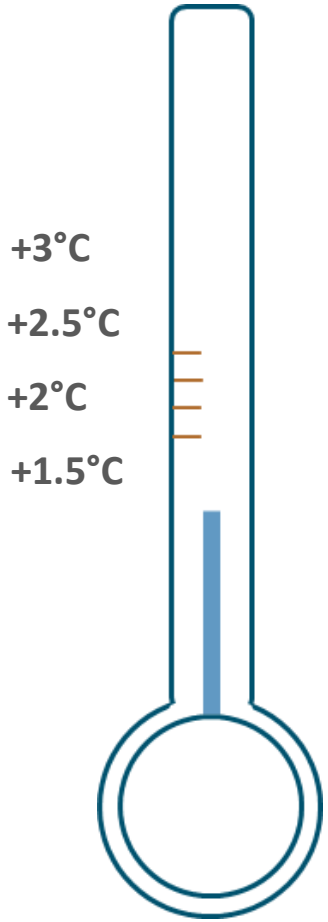
## Measuring Portfolio Alignment:

## Key messages and objectives

# Key messages on Portfolio Alignment Measurement

**Setting the scene**

- Financial institutions need to **understand how aligned** investment, lending and underwriting activities are with critical 2050 net-zero goals.
- Portfolio alignment measurement supports GFANZ's mission to accelerate the transition to net-zero in the real economy and help to measure progress on **transition finance** activities.
- When undertaking this measurement, **nine key decisions** ("judgements") should be considered by practitioners.
- The process of measuring alignment is **forward-looking** and considers companies' future projected emissions, for example based on **emission reduction commitments**.

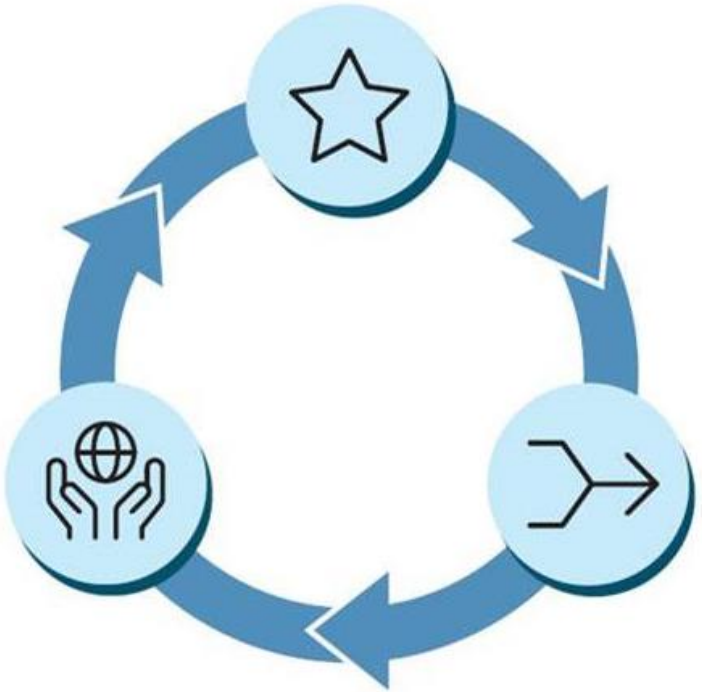



***Portfolio Alignment Measurement tracks progress towards the 1.5 Degrees C goal and supports transition finance***

# The 2022 work to advance portfolio alignment measurement focused on three key objectives

### Enhancement

*Greater levels of detail on best practice considerations for key design decisions*



### Adoption

*Lead to increased use of portfolio alignment metrics by financial practitioners*

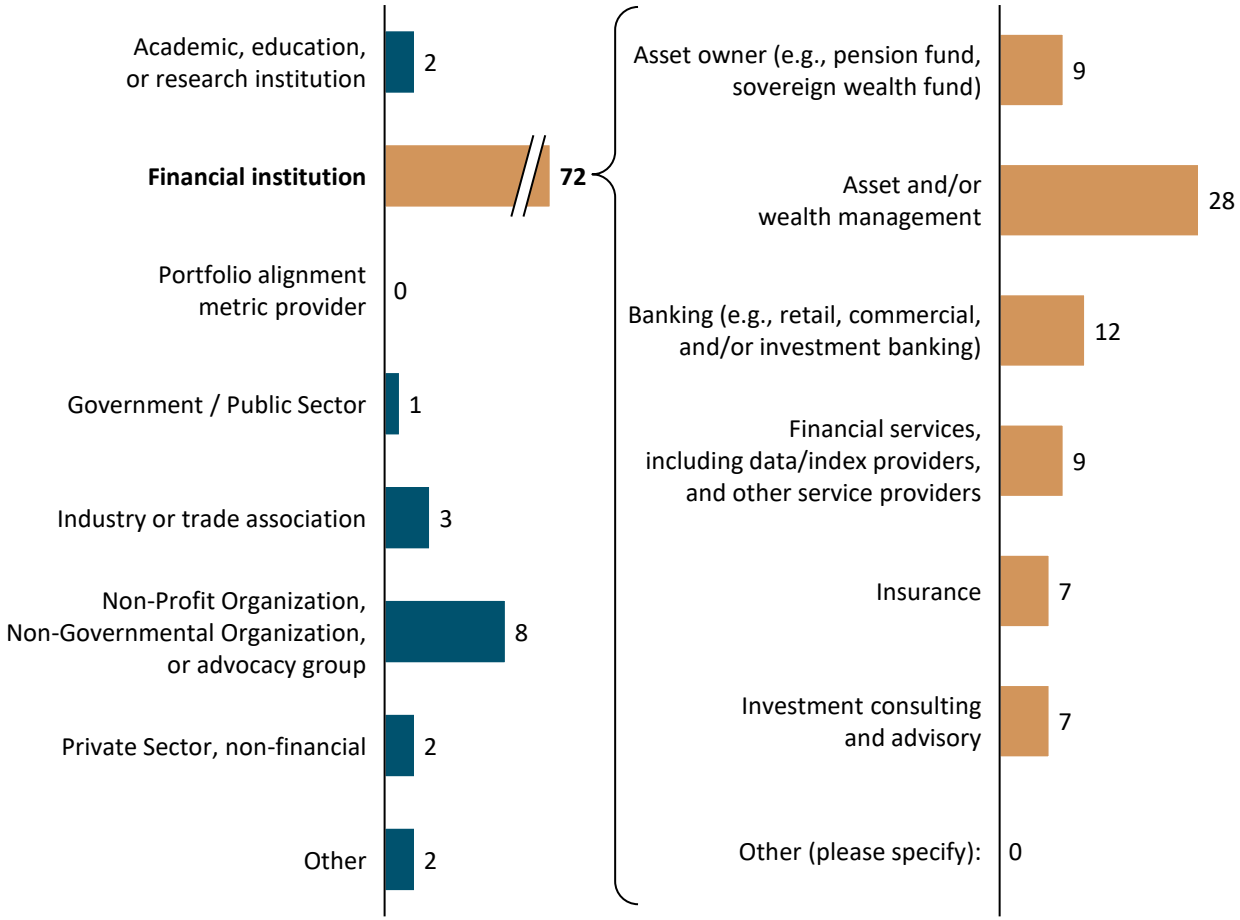
### Convergence

*Promoting common approaches and transparency of portfolio alignment methodologies*

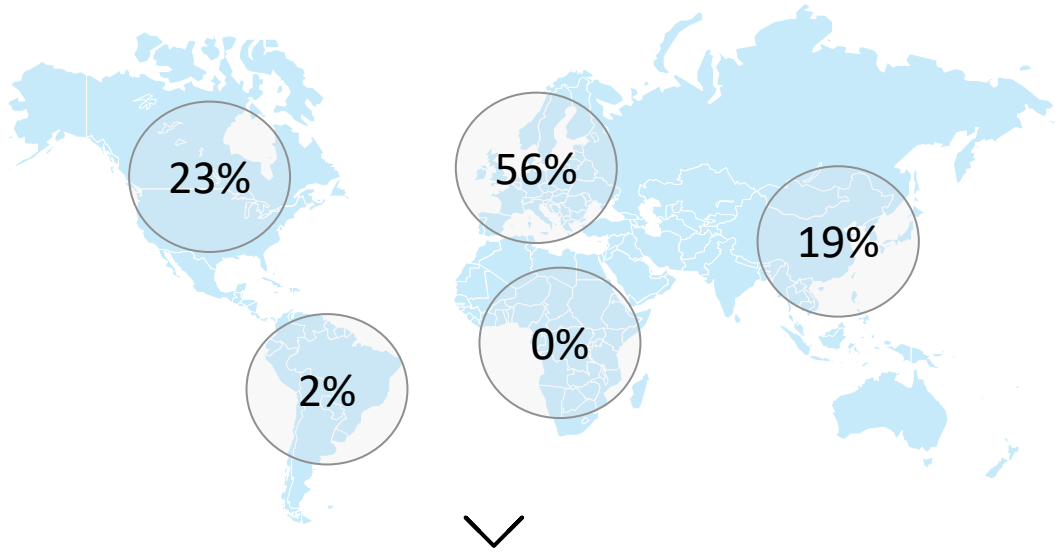
**Supporting real-economy emissions reductions**

# Consultation survey responses by financial institution types and region

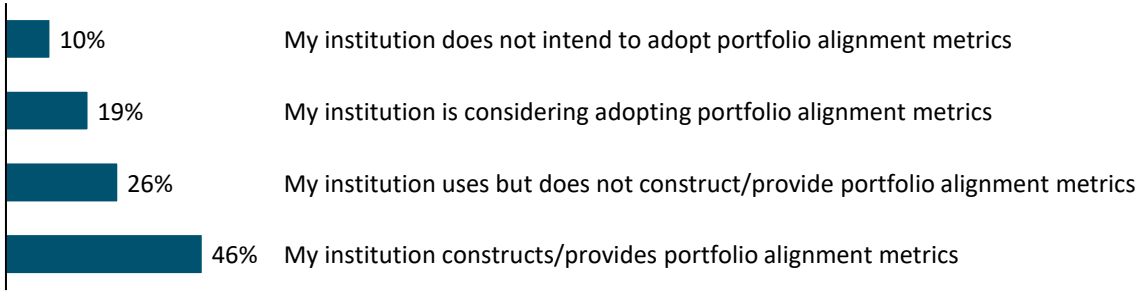
## Organization breakdown of respondents (90 total)




## Location of headquarters of respondents (90 total)




## Breakdown of survey respondent relationships with PAMs[1]



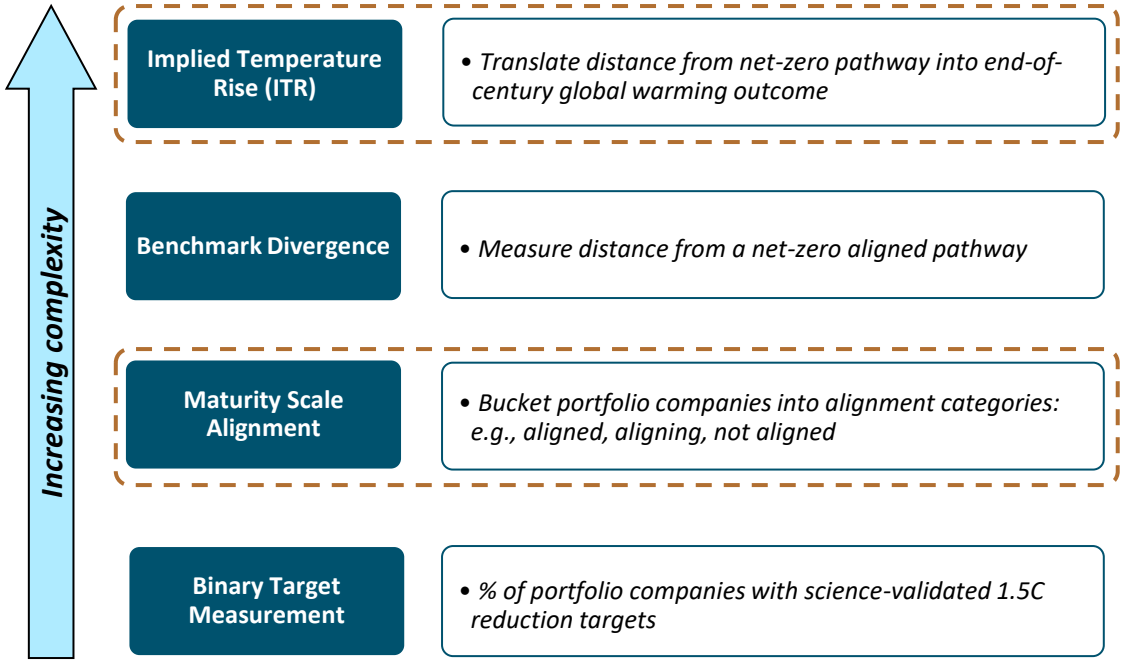

1. Rounding causes total to exceed 100%

# 2B

## Measuring Portfolio Alignment: How are metrics selected and used?

# Financial institutions should choose a portfolio alignment metric that is most appropriate for their unique business model

## There are four categories of alignment metrics a financial institution can use




*Deep dive on following slides*

## Five key criteria should be considered when choosing a preferred metric

| | |
|---|---|
| 1 | Ease of use |
| 2 | Transparency |
| 3 | Scientific robustness |
| 4 | Aggregability |
| 5 | Suitability to direct capital |

Maturity Scale Alignment

# Deep dive: Maturity scale alignment

***These metrics are popular because they provide a holistic and transparent assessment of companies' transition readiness.***

**What are maturity scale metrics?**

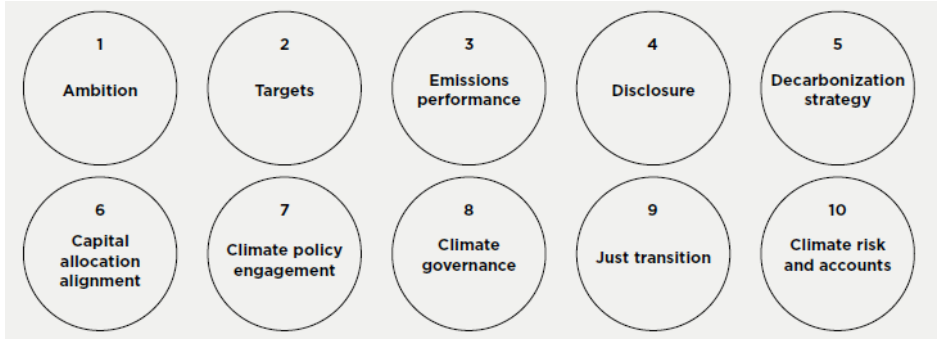
- Maturity scale metrics **bucket companies into alignment categories** from aligned, aligning to not aligned.
- Bucketing can be performed based on **qualitative and quantitative indicators**.

| Advantages | Drawbacks |
|---|---|
| + Allows **optionality** of indicators and complexity based on usability to drive transition strategy | – Does not provide insight into specific future **climate warming outcomes**. |
| + Provides a more holistic and transparent assessment of transition readiness rather than reducing to one metric. | – The lack of continuous scale can **make it hard to generate granular insights** or rank companies within buckets |

**How can they be deployed?**

IIGCC created the net-zero investment framework (NZIF)

***Alignment criteria***




***Allocation using the alignment maturity scale***

| Net zero | Aligned | Aligning | Committed to aligning | Not aligned |
|---|---|---|---|---|
| • Companies that have current emissions intensity performance at, or close to, net zero emissions with an investment plan or business model to continue that goal over time | • Meeting criteria 1-6 (or 2, 3 and 4 for lower impact companies).<br>• Adequate performance over time in relation to criterion 3, in line with targets set | • Have set a short or medium-term target (crietria 2)<br>• Disclosure of Scope 1, 2 and (material) 3 emissions data (criteria 4)<br>• A plan relating to how the company will achieve these targets (partial criteria 5) | • A company that has complied with criteria 1 by setting a clear goal to achieve net zero emissions by 2050 | • All other companies |

Implied Temperature Rise (ITR)

# Deep dive: Implied temperature rise metrics

***These metrics are intuitive and allow for a common language when discussing alignment, but continue to face adoption issues***

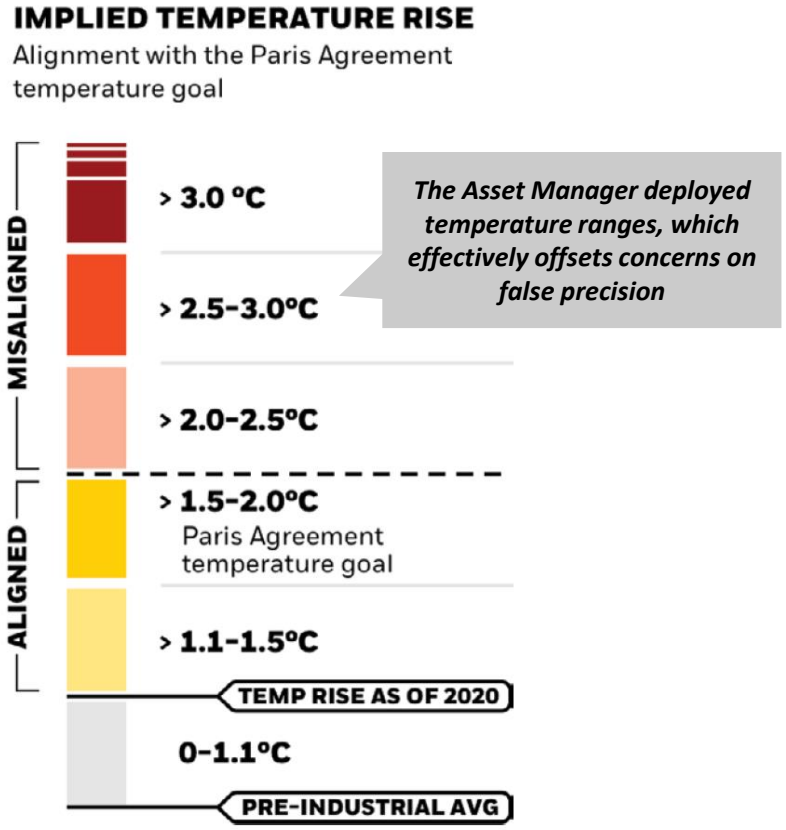
**What are implied temperature rise (ITR) metrics?**

- ITR models assess how cumulative emissions overshoot or undershoot a net-zero aligned pathway, and then translate that into a global warming impact.
- The global warming impact represents the **expected increase in temperature by 2100** from pre-industrial levels if the entire economy followed the path of the assessed emissions.

| Advantages | Drawbacks |
|---|---|
| + Create a direct link between the company's alignment and future climate warming outcomes | – Often criticized due to a perceived lack of transparency of underlying assumptions, which could lead to a sense of false precision. |
| + Allow for a common language when comparing the alignment of companies across different sectors | |

**How can they be deployed?**

Global Asset Manager disclosing funds based on ITR ranges



# GFANZ has identified six primary use cases for portfolio alignment metrics across two broad dimensions

## Use cases for portfolio alignment metrics outlined in the report

**Communication**

Disclosure of net-zero process, including:
- Regulatory or government-driven disclosure
  - Disclosing the effect of policies on portfolio alignment

**Decision-Making**

- Engagement
- Investment research and selection
- Portfolio construction
- Manager selection and monitoring
- Calibration and monitoring of net-zero targets

## Considerations

- **Communication**: *Disclosure*
  Portfolio alignment metrics can be used to disclose progress against net-zero goals, including satisfying government or regulatory-driven disclosures.

- **Decision-making**: *Net-zero implementation strategy*
  Portfolio alignment metrics can be used to determine strategy, products and services across business lines: e.g., researching and constructing net-zero aligned financial products and services or engaging with portfolio companies.

- Across both dimensions, practitioners should also consider **institutional factors** that may drive selection of different metrics for a use case based on the financial institution's sector.

# Portfolio alignment metrics are primarily used for disclosure of progress against net-zero commitments, and for engagement

## GFANZ public consultation responses on portfolio alignment metric use cases

| Use case: | Investment research and selection | Portfolio construction | Manager selection and monitoring | Disclosure of progress | Engagement | Understanding the impact of internal policies and conditions |
|---|---|---|---|---|---|---|
| This is the primary use case(s) for your organization | 30% | 28% | 11% | 53% | 42% | 16% |
| This is the secondary use case(s) for your organization | 34% | 28% | 21% | 16% | 28% | 26% |
| This is not currently used at your organization | 36% | 45% | 67% | 31% | 30% | 58% |

2

1

*0-25% of responses* *25-50% of responses* *50+% of responses*

*Number of respondents:* 70

## Commentary

1. **Disclosing progress against net-zero commitments** and **engagement** are the most common use cases for PAMs

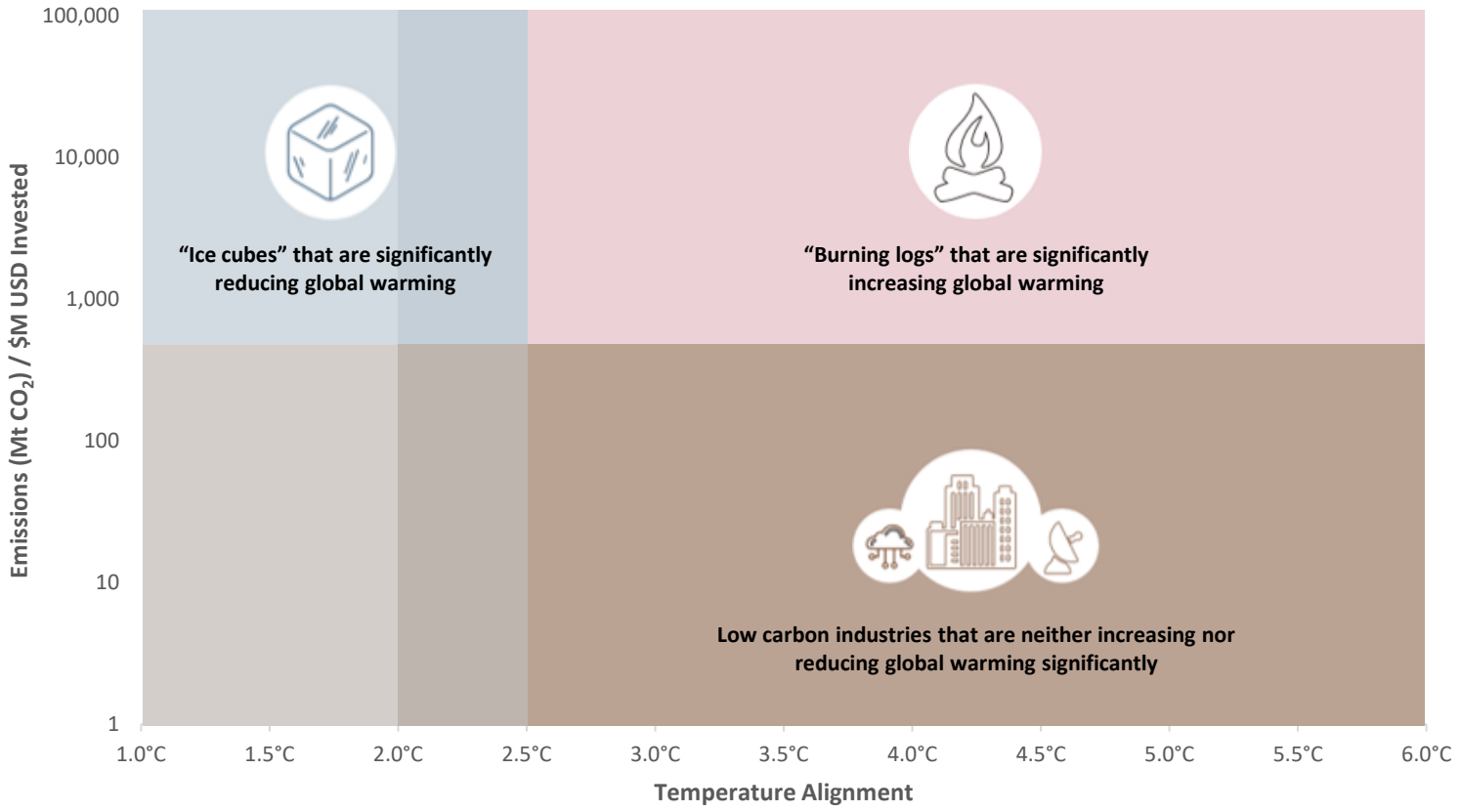
2. **Respondents are starting to integrate the metrics into investment decision-making**: > 60% of respondents indicated they use PA metrics for investment research and > 50% for portfolio construction

# Example use case: Leveraging portfolio alignment metrics for investment selection and research

## Case study example synopsis

- A European Asset Manager offers a series of “Target Net Zero” (TNZ) funds that operate under the constraint of **maintaining an ITR of no more than 2 degrees C.**
- TNZ funds achieve this goal by tilting capital towards “Ice cubes” and away from “Burning logs”
- TNZ funds rely on ITR to maintain diversification, minimize tracking errors, and ultimately reduce the temperature of the funds.

## How is the investment universe divided under this approach?[1]



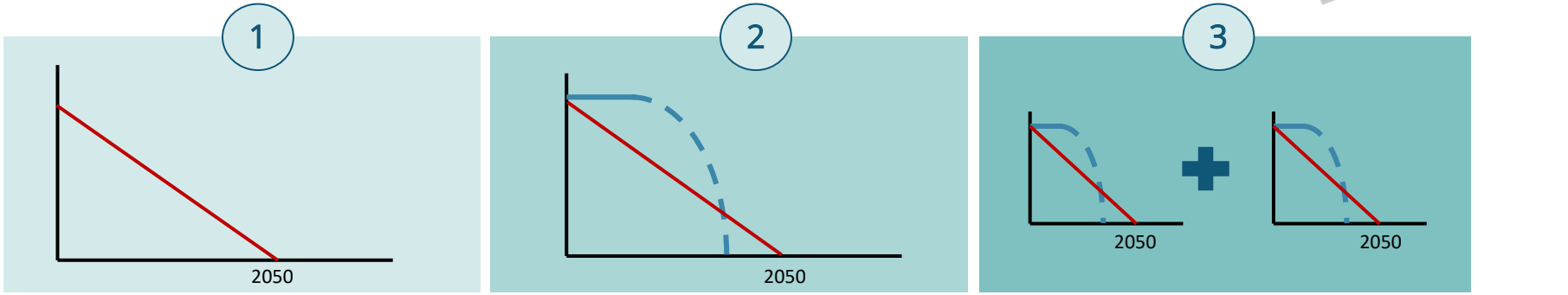
# 2C

## Measuring Portfolio Alignment: How are metrics constructed?

# When measuring portfolio alignment Practitioners need to consider nine key decisions (*Key Design Judgements*)

***Slide 22-27 feature a deep dive on these Judgements***

***The Key Design Judgement framework***




**Step 1: Translating scenario-based carbon budgets into benchmarks**

- **Judgement 1:** What type of benchmark should be built?
- **Judgement 2:** How should benchmark scenarios be selected?
- **Judgement 3:** Should you use absolute emissions or intensity?

**Step 2: Assessing counterparty-level alignment**

- **Judgement 4:** What scope of emissions should be included?
- **Judgement 5:** How should emissions baselines be quantified?
- **Judgement 6:** How should forward-looking emissions be estimated?
- **Judgement 7:** How should alignment be measured?

**Step 3: Assessing portfolio-level alignment**

- **Judgement 8:** How should alignment be expressed as a metric?
- **Judgement 9:** How do you aggregate counterparty-level metrics into a portfolio-level score?

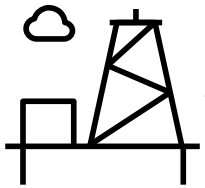
- **The report delivers accessible case studies** and analysis for all nine Judgements.
- Based on feedback received, **refined guidance was required on Judgements 3, 4, 6, and 7.**
- To enable the forward-looking dimension, **Judgement 6** is of particular importance.

# Judgement 3: What is the appropriate measurement unit? Considerations for oil and gas companies

**Prefer measuring alignment based on production and physical intensities for homogenous sectors, such as steel, cement and oil & gas.**

| Measurement unit | Example | Advantages | Drawback |
|---|---|---|---|
| **Production** | Number of vehicles sold | + Reinforces link between net-zero transition and essential technology shifts | – Only available for a small number of sectors<br>– Efficiency of the production process is not reflected. |
| **Absolute emissions** | Tons of $CO_2e$ | + Preserves direct link to carbon budget | – Penalizes net zero transition activities |
| **Physical intensities** | $CO_2e$ per ton of cement | + Links directly to production, reflecting improvements in operational efficiency | – Does not capture the need for a reduction in absolute emissions. |
| **Economic intensities** | $CO_2e$ per million $ revenue | + Available data across all sectors | – Volatile metric that can move without changes in real-world emissions |

**How should practitioners measure alignment for oil and gas companies?**



**Reducing output (absolute emissions):**
+ Preserves direct link to carbon budget
– Does not consider transition activities

**Transitioning to clean energy ($MtCO_2/EJ$):**
+ Considers transition activities
– Does not directly incentivize reduction of output

**Improving operational efficiency ($MtCO_2$/barrel):**
+ Reducing methane emissions due to gas flaring
– Does not account for demand side management

# Judgement 4: What Scope of emissions should be included? Material Scope 3 categories in high impact sectors

**How did we seek to enhance this Judgement?**

- Analysis based on reported data (Bloomberg, in blue) and estimated data (MSCI, in grey)
- To identify the sectors in which Scope 3 emissions are most material, two criteria were applied:
    1. The 40% threshold criterion: Sector average Scope 3 emissions exceed 40% of total sector average emissions (*guidance by the Science-Based Targets initiative*)
    2. The absolute magnitude criterion: Absolute Scope 3 emissions are high (i.e., 10 Mt CO2e)
- In bold, sectors exceeding the 40% threshold and are outlined in the guidance of a number of net-zero alliances.

**Analysis: GHG emissions % by Scope 1, 2, and 3 in high impact sectors**

| SECTORS | SCOPE 1 | | SCOPE 2 | | SCOPE 3 | | SAMPLE SIZE |
|---|---|---|---|---|---|---|---|
| Energy[1] | 8.4 | 9.5 | 0.5 | 0.7 | 89.8 | 91.0 | 30 |
| **Oil and gas[2]** | 8.4 | 9.5 | 0.5 | 0.7 | 89.8 | 91.1 | 26 |
| Utilities[1] | 35.0 | 47.8 | 1.6 | 1.7 | 50.6 | 63.3 | 57 |
| **Electric utilities[3]** | 38.7 | 51.9 | 1.6 | 1.8 | 46.5 | 59.5 | 44 |
| Consumer Discretionary[1] | 1.2 | 1.4 | 1.8 | 1.9 | 96.7 | 97.1 | 82 |
| **Automotive[2]** | 0.7 | 0.9 | 1.2 | 1.3 | 97.8 | 98.1 | 21 |
| Materials[1] | 12.0 | 13.7 | 4.0 | 4.2 | 82.1 | 84.0 | 66 |
| **Steel[3]** | 26.3 | 33.8 | 1.7 | 3.3 | 62.9 | 72.0 | 4 |
| Cement[4] | 72.9 | 73.9 | 5.3 | 5.8 | 20.8 | 21.3 | 1 |
| **Chemicals[3]** | 18.3 | 18.9 | 7.5 | 9.8 | 71.3 | 74.2 | 34 |
| Industrials[1] | 5.8 | 15.4 | 0.5 | 1.8 | 82.8 | 93.7 | 101 |
| **Transportation and logistics[2]** | 52.9 | 55.0 | 1.3 | 1.4 | 43.7 | 45.7 | 23 |
| Airlines[4] | 61.2 | 69.5 | 0.5 | 0.6 | 29.9 | 38.3 | 5 |
| Marine shipping[4] | 61.7 | 67.6 | 0.5 | 0.6 | 31.8 | 37.8 | 4 |
| **Engineering and construction[2]** | 4.3 | 12.0 | 1.1 | 2.7 | 85.3 | 94.6 | 21 |
| **Consumer staple products[2]** | 4.8 | 8.0 | 3.3 | 4.7 | 87.2 | 91.9 | 34 |

***Reported values*** ***Estimated values***

# Judgement 4: What Scope of emissions should be included? Material Scope 3 categories in high impact sectors

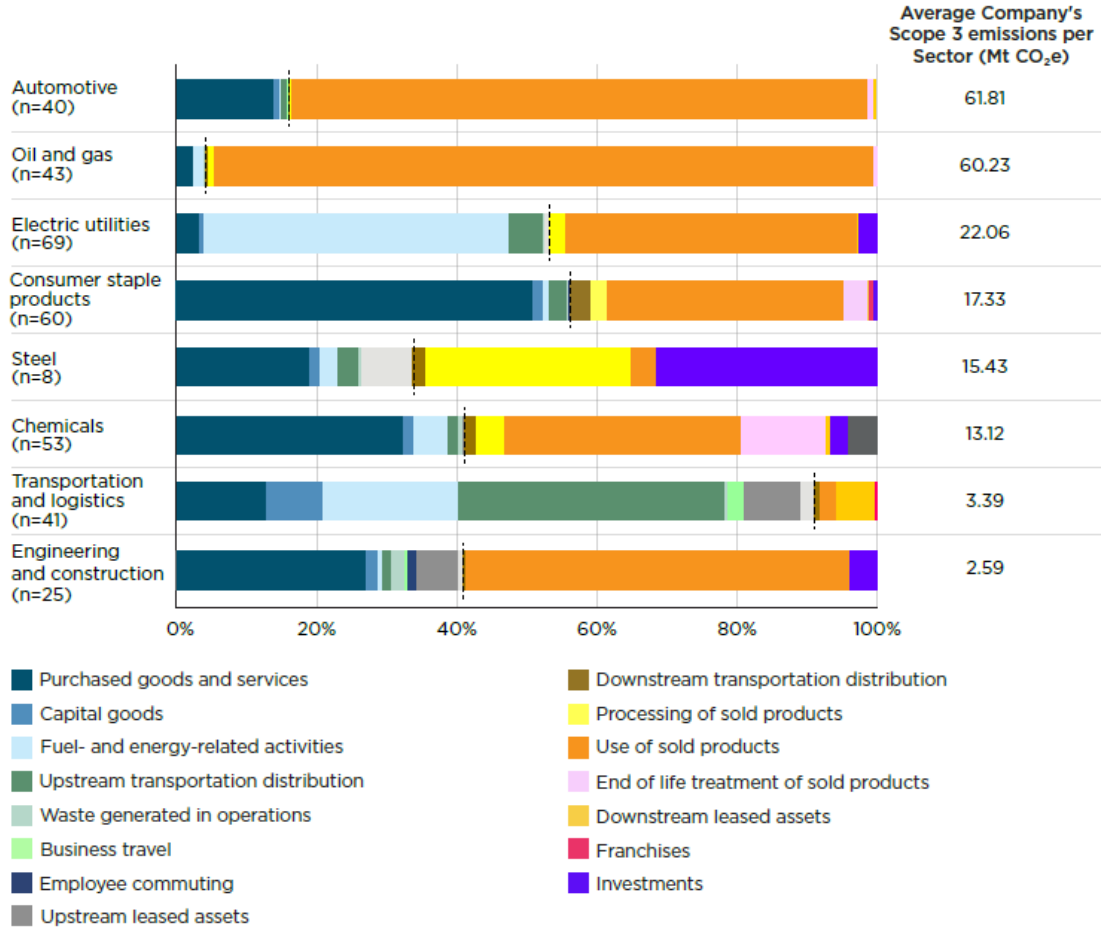
**Enhanced guidance for Judgement 4**

- In **Automotive, Oil and Gas, Electric Utilities, Consumer Staples Products, and Chemicals** sectors, Scope 3 emissions are large (>10 Mt CO2e) and exceed the materiality threshold of 40%.

- At a minimum, the following **key Scope 3 categories** should be included for measuring portfolio alignment in these sectors:
  1. **Oil and gas** — Category 1 (purchased goods and services) and Category 11 (use of sold products)
  2. **Automotive** — Categories 1 and 11
  3. **Electric utilities** — Categories 3 (fuel- and energy-related activities) and Category 11
  4. **Consumer staples** — Categories 1 and 11
  5. **Chemicals** — Categories 1 and 11

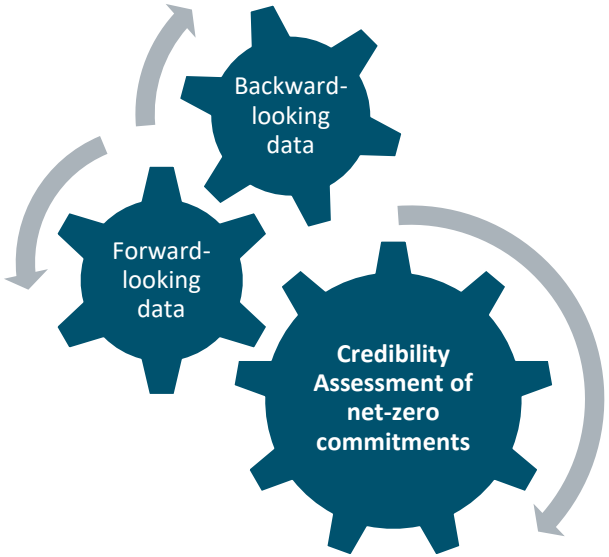
- **Data sourcing**: Practitioners can use reported data when material categories are included. Estimated data can be used when reported data do not include material categories or if physical activity-based estimates could yield more comparable results.

**Supporting analysis for Judgement 4: Breakdown of Scope 3 emissions by category for select high impact sectors with material Scope 3**

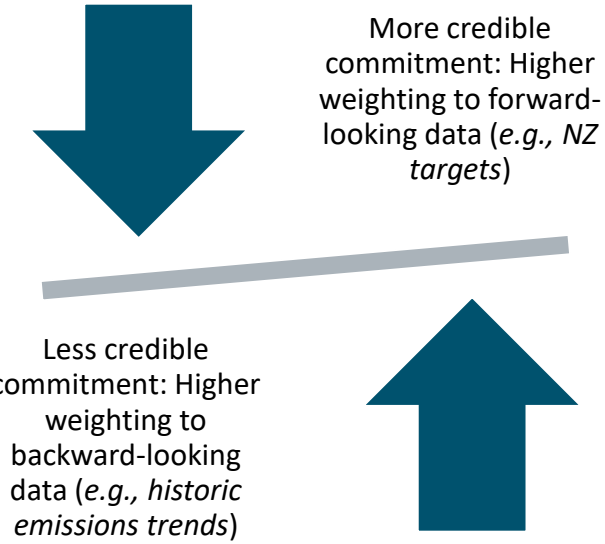


# Judgement 6: How should forward-looking emissions be estimated?

**GFANZ guidance aims to combine backward and forward-looking data to measure portfolio alignment**




**The practitioner should weigh both backward and forward-looking factors to produce a credible forecast for future emissions**




**How could a company receive a higher weighting on its forward-looking emissions reduction targets?[1]**

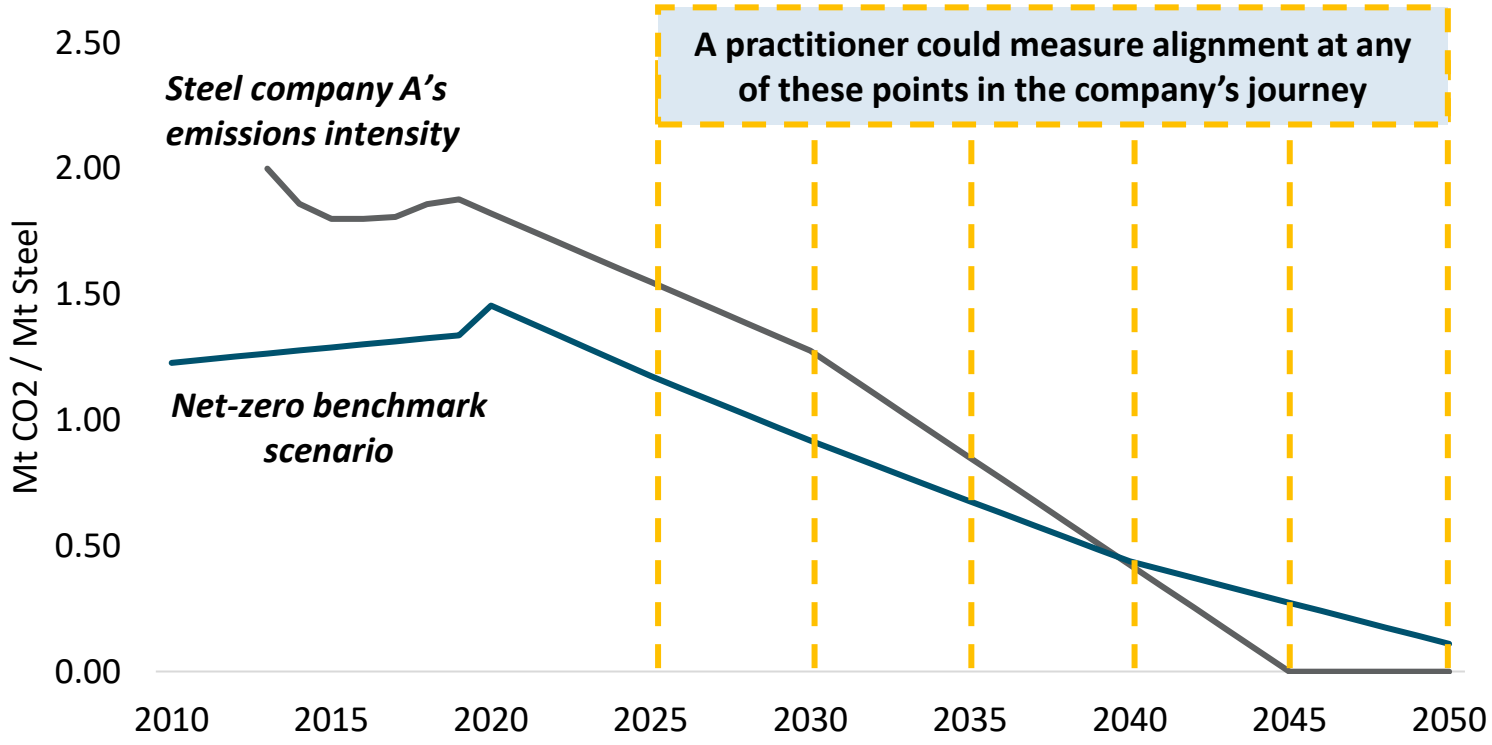
- ✓ *Third party validation of reduction target based on 1.5-degree science-aligned pathway, including short and long-term components*
- ✓ *Executive oversight linked to target*
- ✓ *Planned production forecasts in line with capital commitments required to achieve the target*
- ✓ *The company has a successful history of meeting past reduction targets*
- ✓ *There is an enabling policy environment*
- ✓ *A Transition Plan has been disclosed*

1. Synthesizing guidance from existing assessment tools: ACT, TPI and CA100+

# Judgement 7: The appropriate time horizon for measuring alignment

***GFANZ guidance suggests that practitioners measure alignment on a cumulative basis, and prefer short-term over long-term assessments.***

## A practical example of the time horizon challenge…




**In this example, the choice of time horizon selected by the practitioner can cause the ITR of the company to vary by ~60%**

## Considerations

- Companies will decarbonize at different rates, depending on the availability and cost of technologies to enable their transition. Longer-term time horizons are more important for companies in hard-to-abate sectors.
- Short and medium-term commitments more accurately reflect **likely transition actions** and incentivize companies to set reduction targets with **real-economy impact**.
- GFANZ guidance suggests that practitioners compute alignment over **short- or medium-term time horizons** (*between today and 2035, at the latest*), ***complemented*** by long-term time horizons (up to 2050).

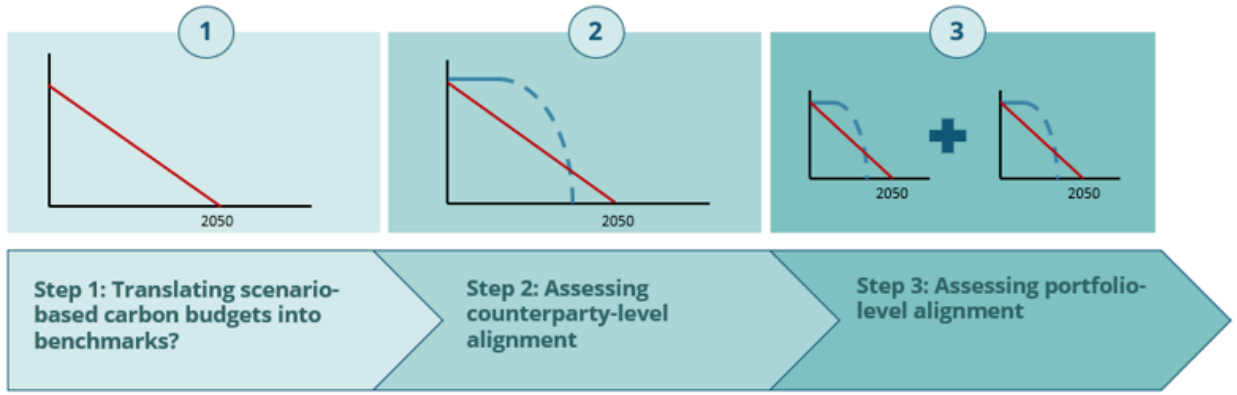
# 2D

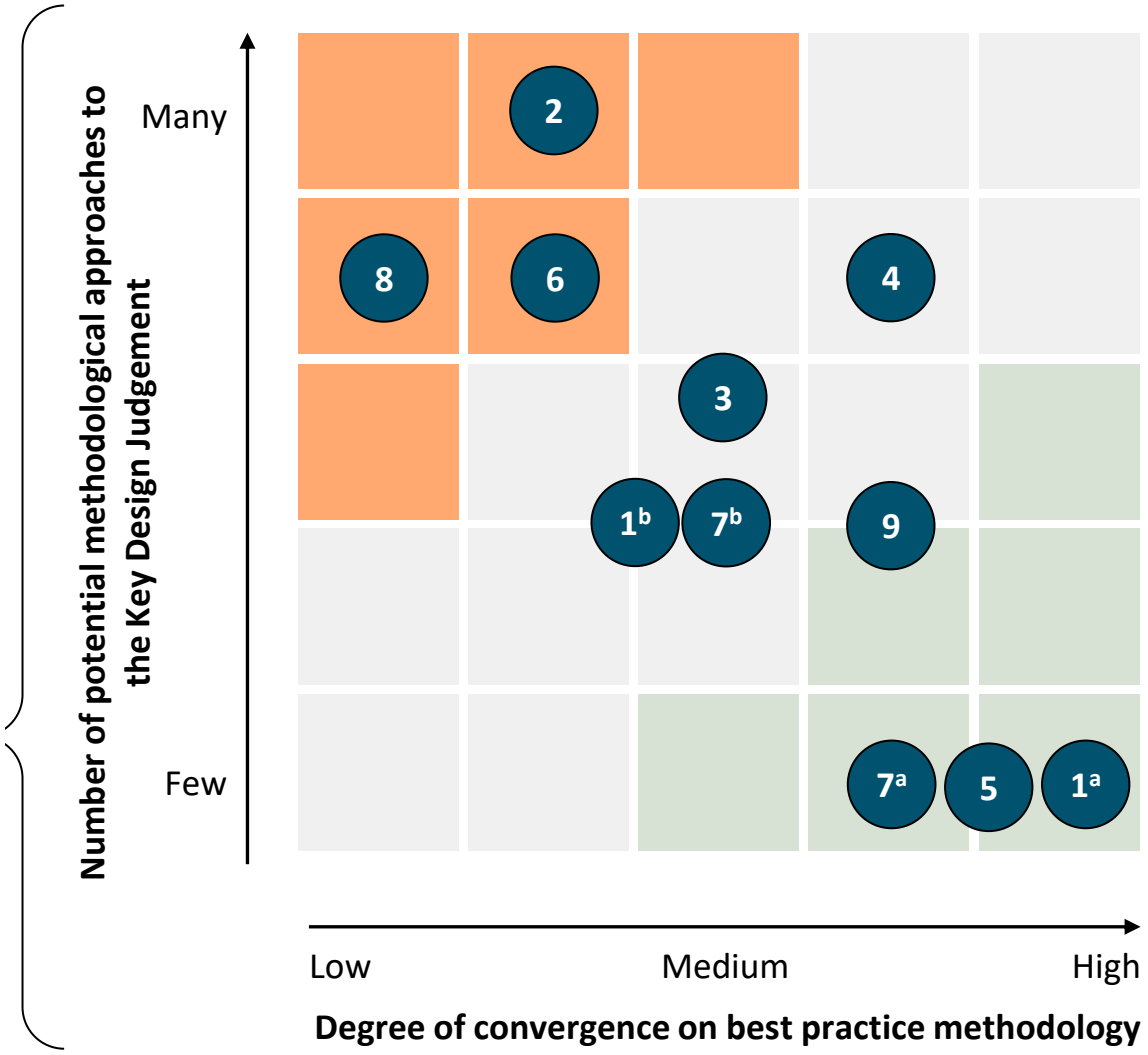
## Measuring Portfolio Alignment: Driving convergence on best practice approaches

# Convergence around methodological best practices will be important to build trust in portfolio alignment metrics

**Why have we focused on this objective?**

- Company-level alignment results from different metric providers **vary substantially** due to a **lack of convergence** around methodological best practices as well as the **opacity of underlying key assumptions.**
- This is and has **hindered widespread adoption** to date**.**
- Methodological differences with regard to a large number of judgements prevail, underscoring the importance of **encouraging common approaches and transparency**.



# 2E

## Measuring Portfolio Alignment: What’s next?

# Transition Finance Activities

**Companies that develop and scale climate solutions**

1

Climate solutions

**Example**: Electric SUV manufacturer with no plan to reduce value chain emissions.

**Companies that are already aligned to 1.5°C**

2

Aligned

**Example:** European renewable utility with a science-based reduction plan and on track to reach net-zero emissions.

**Companies that are in the process of aligning to 1.5°C**

3

Aligning

**Example**: Traditional automaker with a science-based reduction plan but not yet aligned with a net-zero pathway.

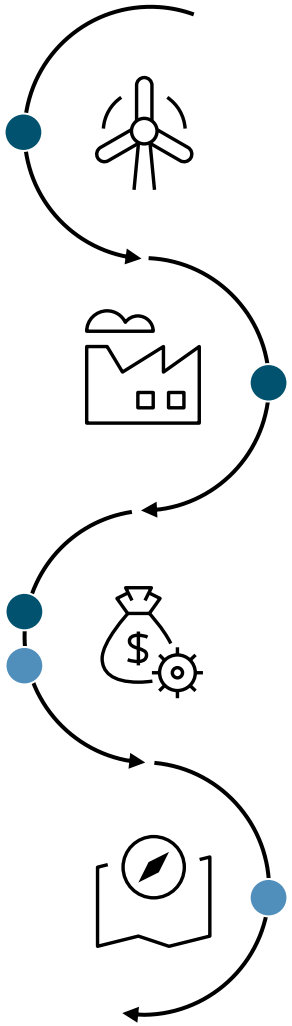
**Companies that phase out high emitting assets early**

4

Managed phaseout

**Example**: European power generation company with a plan for decommissioning its coal-fired power stations before the end of their useful economic life.

# The portfolio alignment measurement journey is not complete. There are four priority areas that practitioners have identified for further work.



### Climate Solutions

The portfolio alignment framework does not yet adequately reflect alignment measurement for providers of climate solutions.

### Managed phaseout

Specific metrics and targets will be needed to measure the alignment of a managed phaseout plan with a net-zero goal.

### Expansion to additional asset classes

There is a need to establish best practices for measuring the alignment of assets beyond corporate equity and bonds.

### Implementation guides

Best practice considerations are not just a requirement for the construction of alignment metrics but also for their operationalization by practitioners.

***Methodological*** ***Implementation***

**GFANZ's role in 2023 is still being determined.**

While these four areas have been identified as needing further work, expertise is quickly evolving and expert groups are already working on some topics.

We are in the process of determining where GFANZ should focus its efforts as a practitioner-led coalition to most add value.

# Appendix

# An introduction to Financial Institution Net-zero Transition Plans

## Net-zero Transition Plan

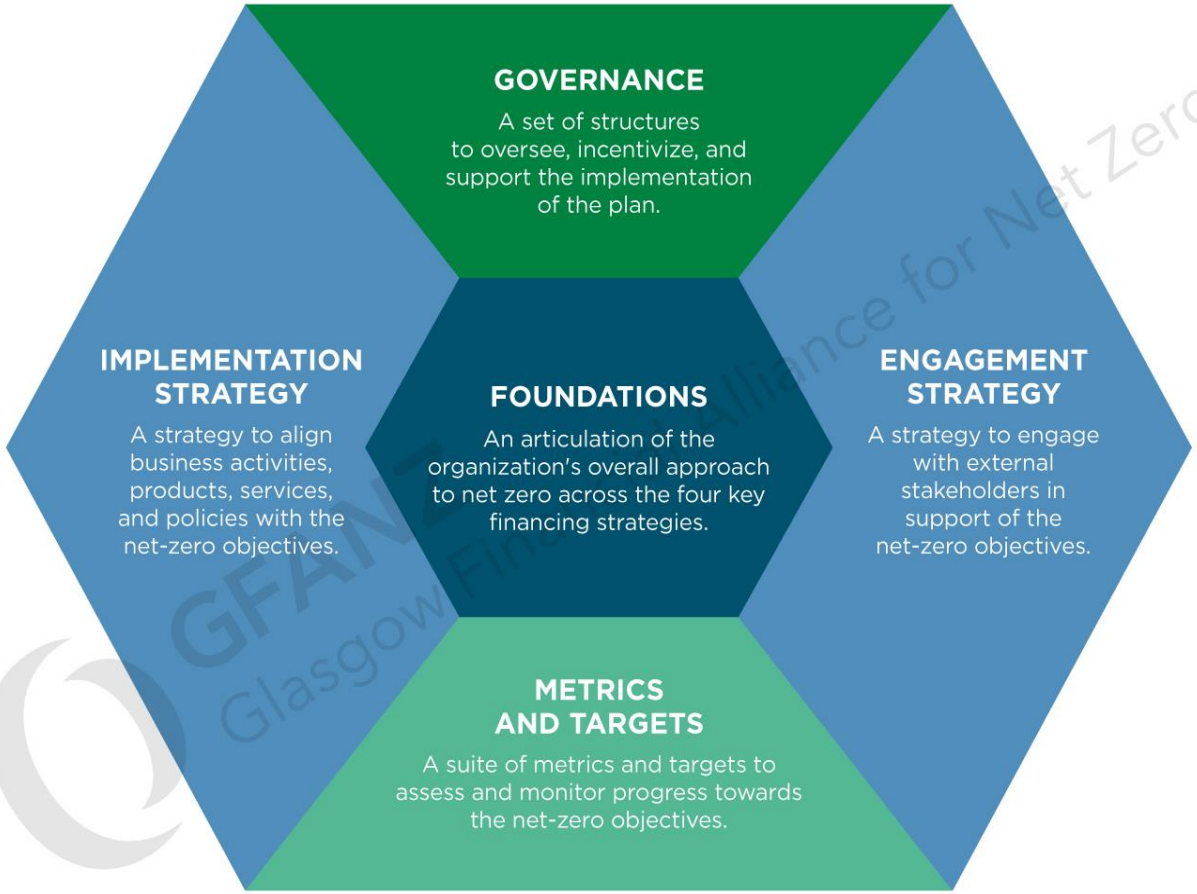
- A net-zero transition plan is **a set of goals, actions, and accountability mechanisms to align an organization's business activities with a pathway to net-zero GHG emissions** that delivers real-economy emissions reduction in line with achieving global net zero.
- For GFANZ members, a transition plan should be **consistent with achieving net zero by 2050**, at the latest, in line with commitments and global efforts to limit warming to 1.5 degrees C, above preindustrial levels, with low or no overshoot.

## Transition Finance

- Investment, financing, insurance, and related products and services that are necessary to support an orderly, real-economy transition to net zero as described by **the four key financing strategies** which finance or enable:
  1) entities and activities that develop and scale climate solutions;
  2) entities that are already aligned to a 1.5 degrees C pathway;
  3) entities committed to transitioning in line with 1.5 degrees C-aligned pathways;
  4) the accelerated managed phaseout of high-emitting physical assets.

# Recommendations and guidance based on the five themes and 10 components that make up a net-zero transition plan

## Recommendations and guidance




## Deep dive

**Foundations:**

- Objectives and priorities

**Implementation Strategy:**

- Products and services
- Activities and decision-making
- Policies and conditions

**Engagement Strategy:**

- Clients and portfolio companies
- Industry
- Government and public sector

**Metrics and targets:**

- Metrics and targets

**Governance:**

- Roles, responsibilities, and remuneration
- Skills and culture

# Market participants generally support our report's findings and the proposed guidance for several enhanced Design Judgements

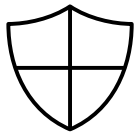
## Asset Management

*We welcome the report and recognise the progress made to reflect the validity, use cases and best practice relevant to a variety of metrics as well as to address key issues such as investment in climate solutions not previously covered.*

**Asset Manager, United Kingdom**

*We do appreciate the element of allowing investors some leeway in terms of choosing metrics that make the most sense for their strategies*

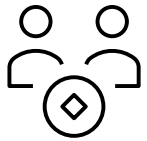
**Asset Manager, United States**



## Insurance

*We believe discussion on portfolio alignment metrics is very important to support financial institutions to align their capital allocation to the net zero economy*

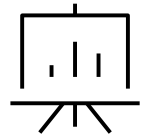
**Insurer, Japan**



## Asset Ownership

*The conceptual framework using key design judgments and providing best practice recommendations for each is useful. For asset owners these are good due diligence questions to ask third party data providers to ensure that we are adhering to the gold standard design judgements.*

**Asset Owner, United Kingdom**



## Investment Consultancy

*I am pretty happy with where Judgement 6 came out, particularly the Credibility framework.*

**Investment Consultant, United States**

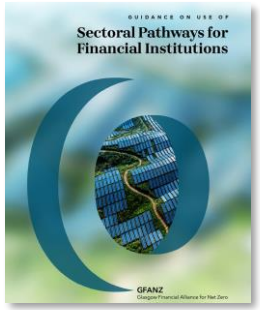
# Summary of progress to date

***In 2022, GFANZ published a set of resources to support financial institutions' efforts to finance and enable the transition to net zero***

## HIGH-PROFILE PUBLICATIONS TO DATE (2022)

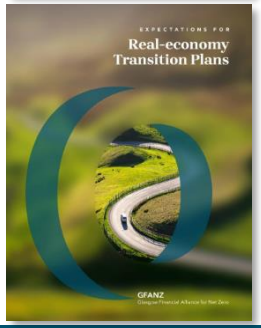

**Recommendations and Guidance on Financial Institution Net-zero Transition Plans – November 2022**

This publication describes how financial institutions across the financial system can operationalize their net-zero commitments and support the real-economy transition.



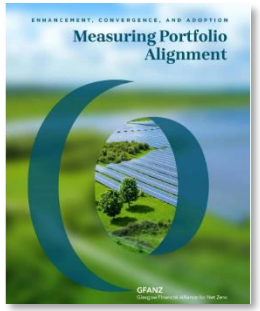

**Guidance on Use of Sectoral Pathways for Financial Institutions – June 2022**

This publication offers guidance and a framework to help financial institutions evaluate suitability of sectoral pathways in their transition planning process and implementation efforts.




**Expectations for Real-economy Transition Plans – September 2022**

This report distills existing guidance on transition planning to bring clarity and help companies in the real-economy develop credible transition plans. It also brings much-needed consistency on metrics and data points.




**Measuring Portfolio Alignment:** *Enhancement, Convergence and Adoption* – **November 2022**

This publication provides the practitioner perspective for measuring the alignment of investment, lending and underwriting activities with the goals of the Paris Agreement and proposes enhanced guidance for designing and implementing portfolio alignment methods.


*Incorporating the*

**Managed Phaseout of High-Emitting Assets – June 2022**

This publication provides a preliminary and high-level approach to support the identification of and guidance on assets where managed phaseout could be appropriate.

# Disclosing progress against net-zero commitments is the most popular use of portfolio alignment metrics across types of financial institutions

## GFANZ public consultation responses on portfolio alignment metric use cases by type of financial institution

| FI type | Investment research and selection | Portfolio construction | Manager selection and monitoring | Disclosure of progress (1) | Engagement | Understanding the impact of internal policies and conditions |
|---|---|---|---|---|---|---|
| Asset owner | 16% | 13% | 13% | **23%** | 19% | 13% |
| Asset and/or wealth management (2) | **23%** | 16% | 5% | 21% | **23%** | 9% |
| Banking | 13% | 13% | 13% | **20%** | 17% | 17% |
| Insurance | 20% | **25%** | 0% | **25%** | 15% | 15% |
| Investment consulting and advisory | 17% | 13% | **22%** | **22%** | **22%** | 4% |

***Most popular use case per FI type***

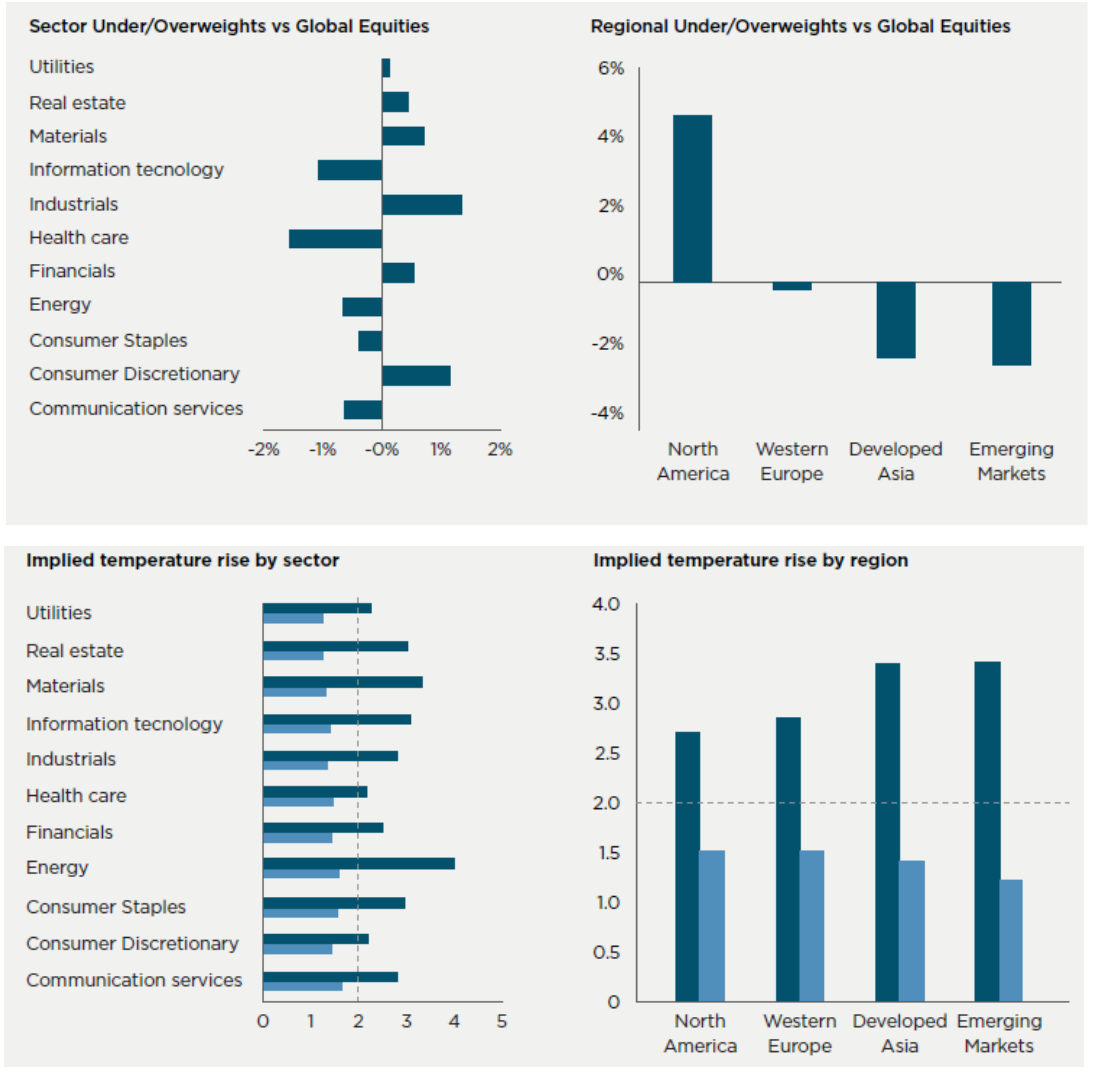
## Commentary

1. **Disclosing progress against net-zero commitments** is the most common use case for PAM metrics across 4/5 FI categories
2. **Asset managers** are the only FI type that breaks that trend, using PAM metrics primarily for investment research and engagement

# Example use case: Integrating portfolio alignment metrics into portfolio construction

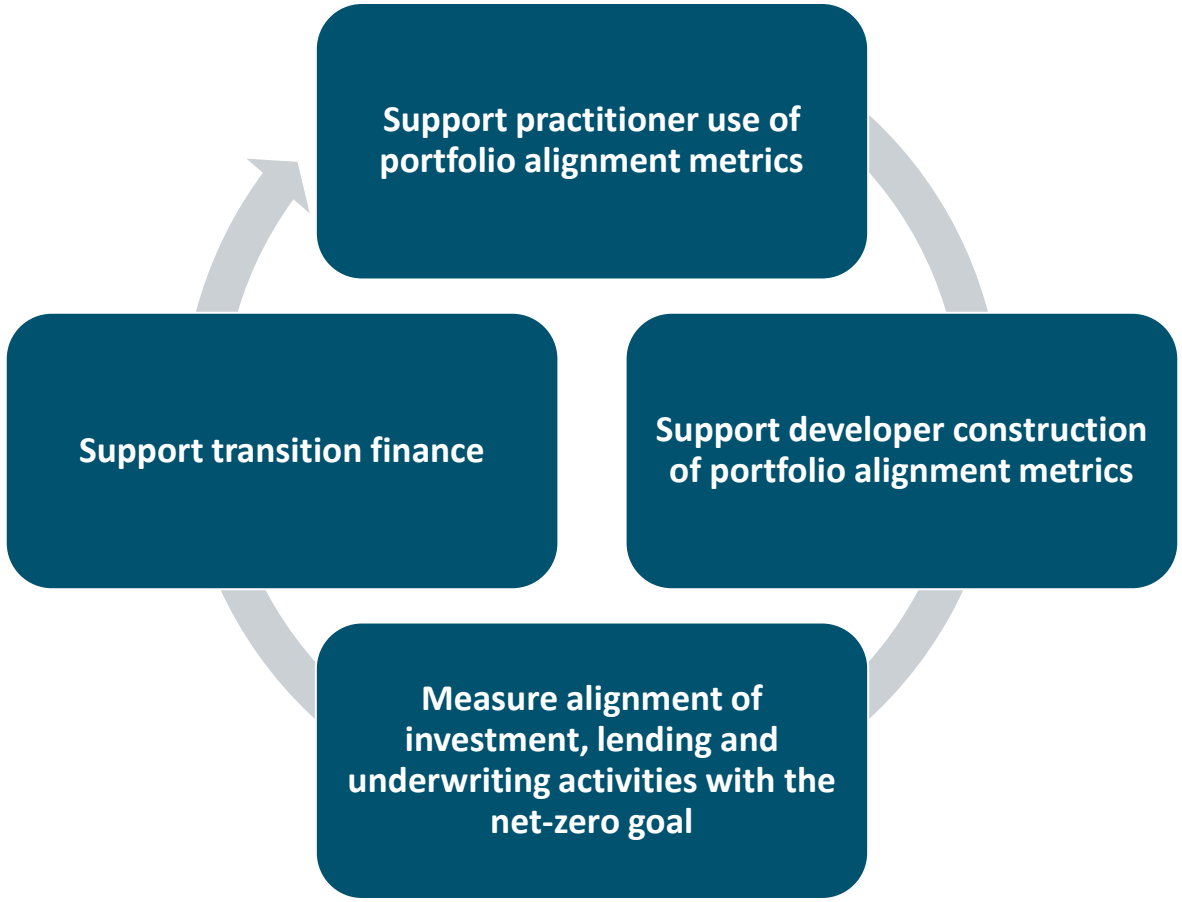
## Case study example synopsis

- A global asset manager has constructed a **highly diversified global equity portfolio** based on **companies that are aligned with below 2°C**.
- The strategy includes climate considerations in the portfolio construction process while still **prioritizing diverse regional, sectoral, and factor exposure**.
- Wide-scale adoption of the strategy could help to significantly **increase the probability of transitioning to a net-zero world**.



# Judgement 1: What type of benchmark should be built?

# Driving enhancement, convergence and adoption of portfolio alignment measurement



# RECOMMENDATIONS
## FOUNDATIONS

### Objectives and priorities

- Define the organization's objectives to reach net zero by 2050 or sooner, in line with science-based pathways to limit warming to 1.5°C, stating clearly defined and measurable interim and long-term targets and strategic timelines, and identify the priority financing strategies of net-zero transition action to enable real-economy emissions reduction.

# RECOMMENDATIONS

## METRICS AND TARGETS

**Metrics and targets**

- Establish a suite of metrics and targets to drive execution of the net-zero transition plan and monitor progress of results in the near, medium, and long-term.

- Include metrics and targes focused on driving financial activity:
    1. To support real-economy net-zero transition
    2. On executing the transition plan
    3. On measuring changes in client and portfolio GHG emissions.


GFANZ
Glasgow Financial Alliance for Net Zero