

Net-zero Transition Plan (NZTP) workshop

GFANZ NZTP THEME: ENGAGEMENT STRATEGY



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Members of the financial sector-specific net-zero alliances comprising GFANZ have signed up to the ambitious commitments of their respective alliances and are not automatically expected to adopt the principles and frameworks communicated within this material, although we expect all members to increase their ambition over time, so long as it is consistent with members’ fiduciary and contractual duties and applicable laws and regulations, including securities, banking, and antitrust laws.

How to use the GFANZ recommendations and guidance

This material presents recommendations and guidance by the Glasgow Financial Alliance for Net Zero (“GFANZ”), aiming to provide financial institutions with background on potential avenues for meeting net-zero commitments intended to address the financial and economic risks and opportunities posed by climate change and the transitions that would be necessary to mitigate those risks.

This series of workshops seeks to familiarize the audience with a framework for transition finance. The recommendations and guidance presented here do not prescribe a specific course of action but offer information and options to help those financial institutions preparing net-zero transition plans.

Important points to consider before engaging with the material are:

- **Voluntary guidance:** Adoption of the GFANZ NZTP framework is voluntary. Use of all aspects (themes and components) of the framework is encouraged; the use of a subset of the most relevant themes and components is also an option.
- **A pan-sector approach:** The recommendations and guidance outlined in this series of workshops present a pan-sector approach to transition planning, aiming to be applicable to institutions across the financial sector and to act as a reference for regulators and policymakers.
- **Unique roles for different financial institutions:** Due to the pan-sector approach taken, the recommendations and guidance do not reflect the different roles financial institution types play within the industry. Financial institutions are encouraged to consider their unique role in formulating their transition plan.
- **Focus on development and implementation:** The framework outlined here provides an approach for developing and implementing transition plans, rather than specific guidance on the disclosure of transition plans (for an example of such guidance on disclosure, please refer to the UK TPT).
- **Institution-wide approach to transition planning:** The guidance focuses on embedding the net-zero transition within a financial institution’s overall business strategy but does not go into significant depth for individual business areas, product lines, or asset classes.
- **Living guidance:** The supporting pathways, tools, and methodologies may not yet be available for all situations, with policy, regulation, technology, and science often developing at a rapid pace.

Acknowledgments

GFANZ would like to thank the sector-specific alliances and their respective secretariat teams for their support and collaboration.

- Net Zero Asset Managers initiative ([NZAM](#))
- Net Zero Asset Owner Alliance ([NZA OA](#))
- Net-Zero Banking Alliance ([NZBA](#))
- Net Zero Financial Service Providers Alliance ([NZFSPA](#))
- Net-Zero Insurance Alliance ([NZIA](#))
- Net Zero Investment Consultants Initiative ([NZICI](#))
- Paris Aligned Asset Owners ([PAAO](#))
- Venture Climate Alliance ([VCA](#))



We encourage financial institutions to contact the alliances above for sector-specific criteria and guidance.

GFANZ is also thankful for the close collaboration with the [Transition Plan Taskforce](#) in ensuring a consistent approach to transition plan disclosure and implementation throughout the framework development in 2022.

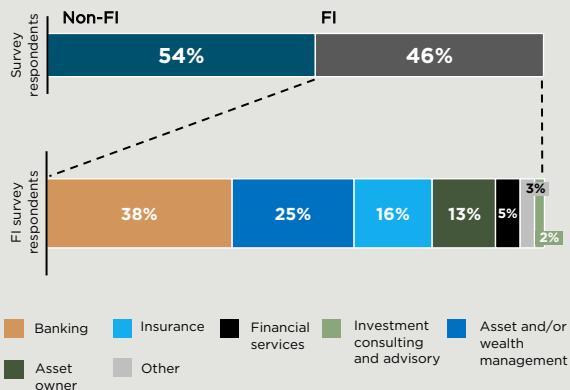
Development of the framework

The recommendations presented here build on — and are complementary to — guidance and criteria issued by sector-specific alliances and other industry bodies, and amplify existing messages across the financial sector.

The development of GFANZ recommendations and guidance included an open consultation process that received a high level of engagement:

-  **64,440** users reached digitally
-  **34,200** page views
-  **654** clicked on the survey URL
-  **187** entities engaged
-  **900+** comments reviewed

Summary of consultation engagement



A selection of related transition frameworks:¹

	Report	Who the framework applies to
CA 100+	Disclosure Framework Indicator Summary	Real economy
CBI	Transition Finance for Transforming Companies	Financial institutions
CDP	CDP Climate Change 2022 Questionnaire and CDP Technical Note: Reporting on Transition Plans	Corporates and financial institutions
IA ICAPs	Guidance and Expectations Ladder	Investors
ICMA	Climate Transition Finance Handbook and The Green Bond Principles Guidance Handbook 2022	Financial institutions
NZAOA	Target Setting Protocol	Asset owners and managers
NZBA	Guidelines for Climate Target Setting for Banks	Banks
NZIA	Insuring the net-zero Transition: Evolving Thinking and Practices	Insurers
PAAO NZIF	Net Zero Investment Framework	Investors
SBTi	Foundations for Science-Based Net-Zero Target Setting in the Financial Sector and Financial Sector Science-Based Targets Guidance	Financial institutions
TCFD	Metrics, Targets, and Transition Plans	Corporates and financial institutions
TPI	Methodology and Indicators report	Real economy

¹ Table as per GFANZ. [Financial Institution Net-zero Transition Plans – Supplemental Information](#), November 2022.

The GFANZ workshop series

The **GFANZ Workshop in a Box** series aims to provide an overview of the GFANZ guidance on net-zero transition planning for financial institutions and real-economy companies. It is suitable for those new to this space, or for senior management and board members who need a high-level understanding of the challenges of net zero, the GFANZ initiative, and provides a high-level overview of the GFANZ NZTP framework and expectations from real-economy companies.

Basics	An introduction to net zero, GFANZ, and the NZTP
	Where to start with the GFANZ NZTP?
	Transition Finance: Basics
GFANZ NZTP themes	Foundations
	Implementation Strategy
	Engagement Strategy <i>This session</i>
	Metrics and Targets
	Governance
Real-economy transition plans	Basics for real-economy transition plans
	Themes of real-economy transition plans — Part 1
	Themes of real-economy transition plans — Part 2
Transition Finance	Four Key Transition Financing Strategies
	Decarbonization Contribution Methodologies

Workshops are independent of each other and can be viewed in any order. Each workshop takes approximately one hour.

For those less familiar with this area, the **Introduction** workshop provides helpful baseline information, and **Where to start with the GFANZ NZTP?** focuses on outlining the practicalities of the framework.

Transition finance and the four key financing strategies that define it lie at the heart of the framework and are introduced in detail in a set of dedicated workshops as well as being considered in the context of each workshop on the GFANZ NZTP themes.

For those ready to discuss specific technical aspects of a NZTP, each theme of the NZTP is covered (**Foundations, Implementation Strategy, Engagement Strategy, Metrics and Targets, Governance**).

Use of themes takes into account differences between finance and the real-economy. The **Basics for real-economy transition plans** workshop overviews these differences and **Part 1** and **Part 2** considers the application of each theme to real-economy companies in detail.

Audience participation is encouraged by slides with suggested questions (marked by the symbol to the right) for discussions and where specific examples for the use of the guidance are outlined.



In case your sessions with these workshops lead to questions or uncover the need for further workshops on specific topics, please get in touch by filling out [this form](#).

Further information on the GFANZ recommendations and ongoing work can be accessed on the [GFANZ website](#).

Introduction





This workshop dives into the **Engagement Strategy theme** of the NZTP framework and the **three components belonging to this theme**. It covers recommendations and guidance on the engagement with clients and portfolio companies, industry peers, as well as government and public sector.

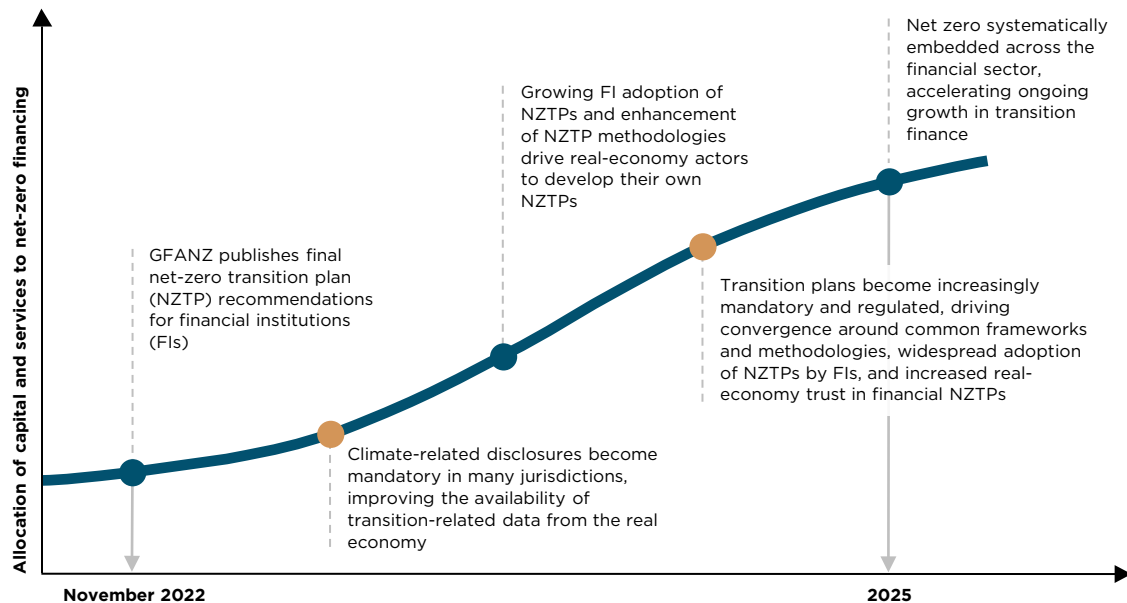
Setting expectations of net-zero transition planning

An illustrative timeline of the global adoption of NZTP development

Organizations will undergo a process to implement all elements of a NZTP over time. The adoption of NZTPs is expected to increase progressively as data and methodologies for net-zero transition plans mature.

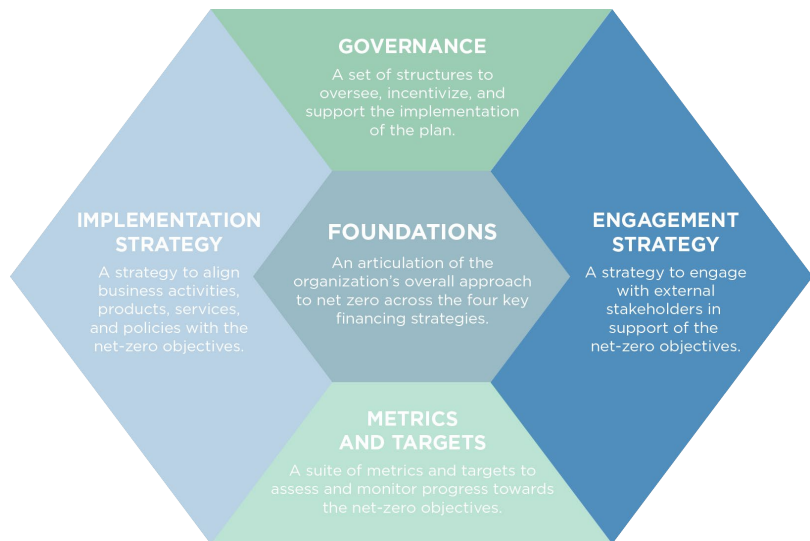
ENGAGEMENT STRATEGY

Engagement is an important part of a transition plan, but it must be planned carefully and relationships developed over time to produce concrete emissions reductions in the real economy.



Introduction to NZTP theme Engagement Strategy

This session focuses on the Engagement Strategy theme of the GFANZ NZTP framework



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

* The same framework can also be used by companies in the real economy. The report [Expectations for Real-economy Transition Plans](#) provides further detail. Note that for real-economy companies, the Engagement Strategy component on "Clients and portfolio companies" would relate to the value chain instead. This acknowledges that for financial institutions, the majority of emissions is found in their financing activities rather than their operations. For real-economy companies, it is the whole value chain, particularly the supply chain that houses the majority of emissions.

In this workshop, you will learn ...

Introduction and rationale

1. What is the Engagement Strategy theme and what is its importance?

Components

2. What are characteristics of engagement with clients and portfolio companies to consider?
3. What objectives could be pursued by engaging with industry peers?
4. What topics might be of relevance when engaging with government and the public sector?

Expectations for real-economy transition plans

5. What are the standards for real-economy transition plans as outlined by GFANZ?



GFANZ publications

Several GFANZ publications provide helpful information for all aspects of transition planning

Two **major publications** detail the GFANZ NZTP framework for **financial institutions** as well as its application in the **real economy**:



Recommendations and Guidance on Financial Institution Net-zero Transition Plans

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

- ↓ [Download the executive summary](#)
- ↓ [Download the report](#)
- ↓ [Download the supplemental material](#)



Expectations for Real-economy Transition Plans

This report distills existing guidance to bring clarity and help companies in the real economy develop credible transition plans. Additionally, the report brings much-needed consistency on metrics and data points required by financial institutions to evaluate the progress and credibility of companies' net-zero transition plans.

- ↓ [Download the report](#)

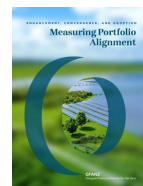
Three **additional reports** give more detailed insight into particular **areas of interest** that are of relevance to the different NZTP themes:



Guidance on Use of Sectoral Pathways for Financial Institutions

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

- ↓ [Download the report](#)



Measuring Portfolio Alignment: Enhancement, Convergence, and Adoption

This publication provides a practitioner perspective for measuring the alignment of investment, lending, and underwriting activities with the goals of the Paris Agreement and critical 2050 global net-zero objectives.

- ↓ [Download the report](#)



Managed Phaseout of High-emitting Assets

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

- ↓ [Download the report](#)

Structure of the Engagement Strategy workshop

Engagement Strategy rationale

Theme components

1. Component: Engagement with clients and portfolio companies

- a. Overview and relevance
- b. Guidance
- c. Example implementation of the guidance

Spotlight on: Expectations for real-economy transition plans

2. Component: Engagement with industry

- a. Overview and relevance
- b. Guidance
- c. Example implementation of the guidance

3. Component: Engagement with government and public sector

- a. Overview and relevance
- b. Guidance
- c. Example implementation of the guidance

Engagement Strategy theme: **Rationale**

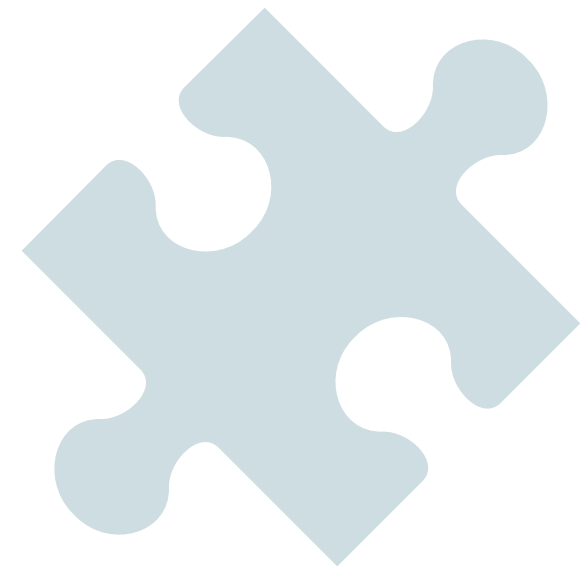


What is the Engagement Strategy theme?

The **transition cannot be achieved by one sector alone**, and there are roles for all stakeholders.

This theme focuses on activities financial institutions can undertake to drive the transition forward by supporting other stakeholders in their transition to net zero and building an environment that facilitates that transition.

This includes engagement with **clients and portfolio companies, industry peers**, and **government and the public sector**.



Why do we need the Engagement Strategy theme?

Financial institutions can support the transition to net zero by engaging with a wide range of stakeholders

BEFORE WE BEGIN

Your organization has identified the **approach to transitioning to net zero**, ideally articulating Objectives and priorities within the Foundations theme and including key financing strategies.

WHAT NEEDS TO BE DONE?

The transition cannot be achieved by one sector alone. The role of the financial industry to move finances to where they are needed should be leveraged in support of the transition via **effective engagement with key stakeholders**.

HOW DOES THE ENGAGEMENT STRATEGY THEME HELP?

The Engagement Strategy theme offers guidance on engagement across **three main components** to help implement net-zero ambitions, strategies, and targets. The recommendations cover engagement with **clients and portfolio companies** to encourage net-zero-aligned transition strategies in the real economy; engagement with **industry peers** to exchange expertise and build a cohesive stance within the financial industry; and engagement with **policy makers** to foster the policy environment needed for an orderly* and just transition.



Clients and portfolio companies



Industry



Government and public sector

*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.

Questions for discussion and reflection



- Who are potential targets for my organization to engage with?
- Do such engagements already exist?
- Do existing engagements include climate change issues?

Engagement Strategy component: **Clients and portfolio companies**



1. Component: Clients and portfolio companies



Overview and relevance



RECOMMENDATION

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.

Why is this component important?



Financial institutions can play a significant role in **supporting and advising clients and portfolio companies** on their approach to the transition to net zero. Different types of institutions **have different capabilities and client mixes**, and the nature of engagement, therefore, varies broadly.

Getting started with Client and portfolio company engagement

To make a start with this component, identify priority clients and portfolio companies for engagement and/or evaluate industry engagement initiatives to join. Then set clear asks for the targets of the engagement, and consider developing an escalation framework to clarify expectations of clients and portfolio companies.

1. Component: Clients and portfolio companies



Guidance

- ▶ Financial institutions should develop an engagement strategy that **supports their overall net-zero commitment**.
- ▶ The strategy should be tailored to the institution's **business model, the needs and context of specific clients or portfolio companies**, and the **relationship** between the financial institution and the company.
- ▶ Goals of the engagement activity should be based on a **baseline** understanding of the company's business and climate impacts; **sectoral pathways** may be helpful to set benchmarks.
- ▶ A **clear escalation process** should outline consequences that may be taken **if the clients or portfolio companies are not responsive**. The nature of the escalation process will differ depending on the parties and their relationship.
- ▶ Where appropriate, financial institutions should consider **collaboration** (e.g., by joining industry groups) to promote a **clear and consistent engagement objective** and streamline the information request to the real-economy companies.
- ▶ **Feedback, insights, and outcomes** from engagement events should be reflected in the financial institution's transition plan.

Characteristics of engagement strategies to consider

Characteristic	Description
Clear objectives	The desired behaviors, requests, or results from clients or portfolio companies (including implementing a net-zero transition plan)
Timing of engagement	Length of engagement, deadlines, and milestones to indicate progress
Coverage	Extent of engagement over client and company portfolios (e.g., as a percentage of the portfolio) and how to prioritize if 100% engagement has not been reached (e.g., by greatest potential influence or highest emissions)
Method of engagement	Including meetings, letters, conferences, educational material, and other forms of engagement selected based on engagement target and relationship (e.g., equity ownership, debt holder, client) and other considerations including levers available to the financial institution (e.g., side letters, insurance contracts) or length of time of the relationship or influence

1. Component: Clients and portfolio companies



Example implementation of the guidance — What resonates with you?



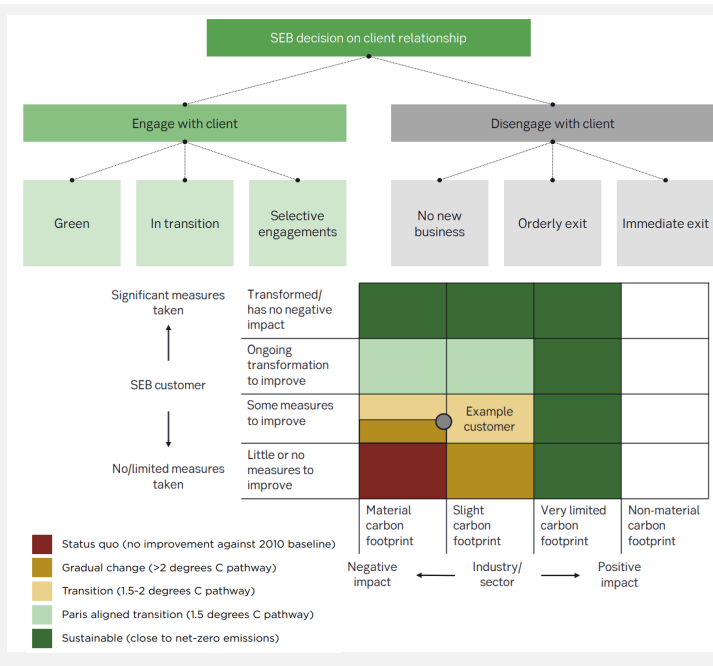
Swedish bank SEB focuses on customers and society (sub-sector: Banking)

WHAT was implemented?

Swedish bank SEB recognizes that its interactions with a large variety of stakeholders mean that engagement is an opportunity to achieve its “strong ambition to accelerate pace towards a sustainable future.”¹

SEB has outlined its Engagement Strategy, as well as its plans for orderly disengagement from companies that do not align with its convictions.

Customers’ current GHG emissions and information from direct engagement are assessed to place them within its Climate Classification Model, and annual reviews are conducted to support ongoing engagement.



¹ SEB. *Accelerating change*, 2021.

HOW does it showcase a net-zero relevant product?

In line with GFANZ recommendations, SEB considers strategic **engagement as a central component** of its efforts to further the collective net-zero transition.

It takes into account GHG emissions at the start of the engagement as well as their **development over time** and tailors its engagement activities with individual companies accordingly.

For cases where convictions do not align and no positive development is observed, SEB outlines a **clear escalation process** including the orderly disengagement from the client.

Information from engagement activities is used to inform planning for further engagement.

Spotlight on: **Expectations for real-economy transition plans**



Spotlight on: Expectations for real-economy transition plans

Supporting the real-economy transition by prioritizing the four key financing strategies

Linking financial institution transition plans with the real-economy transition

The efficient engagement of financial institutions with real-economy companies in the context of net-zero transition planning is of vital importance to allow an **allocation of capital to those activities that lead to real emissions reductions** (i.e., the four key financing strategies).

For more information on the four key financing strategies, please refer to the [dedicated workshop](#).

This targeted direction of financial flows requires a **common language** when communicating about net-zero commitments and steps taken toward them.



Climate solutions



Aligned



Aligning



Managed phaseout

Examples of real-economy transition opportunities:

- a climate technology company that needs project financing
- a start-up climate solution company requiring insurance
- a data collection company requiring financing advice to expand or go public
- a transportation company already aligned to a net-zero pathway looking for equity shareholders
- an agricultural company with a net-zero commitment that needs the support of shareholders to proceed with a net-zero plan
- a utility company looking to retire an old fossil-fuel-fired power plant that requires financing for remediation

Spotlight on: Expectations for real-economy transition plans

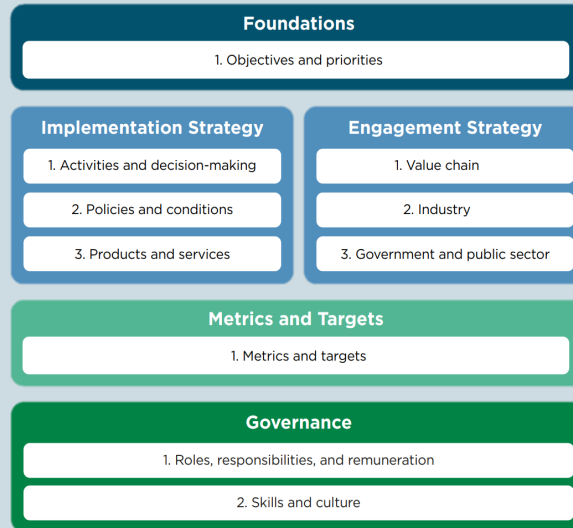
GFANZ proposes the use of the same thematic NZTP framework for real-economy companies and financial institutions to enable clear and effective communication

Real-economy transition plans within the GFANZ framework

GFANZ has made guidance available for **real-economy NZTPs within the GFANZ framework**. The [Expectations for Real-economy Transition Plans](#) report serves as a practical guide for financial institutions engaging with real-economy companies and for these companies when building transition plans and disclosing progress against them, providing **clarity regarding the data that financial institutions expect from their real-economy clients and portfolio companies**.

The GFANZ NZTPs for financial institutions and real-economy companies have the **same themes and components**.

One difference exists between the first components of the Engagement Strategy theme: Whereas the engagement of financial institutions in this theme focuses on clients and portfolio companies, the engagement of real-economy companies under this theme component is focused on the company's value chain.



Using the NZTP to engage with real-economy companies

- Each component of the NZTP can be a point of engagement discussion with a real-economy client or portfolio company.
- A common focus is on obtaining higher quality and more data on the real-economy company's greenhouse gas emissions and net-zero efforts to support the four key financing strategy analysis.
- The real-economy NZTP can also be a topic for governance communications such as proxy voting guidelines or letters to CEOs.
- If the financial institution sits on a company board, the real-economy NZTP could be a board topic related to corporate strategy.

Engagement Strategy component: **Industry**



2. Component: Industry



Overview and relevance



RECOMMENDATION

Proactively engage with peers in the industry to 1) as appropriate, exchange transition expertise and collectively work on common challenges and 2) represent the financial sector's views cohesively to external stakeholders, such as clients and governments.

Why is this component important?



There is no one right way to achieve a net-zero transition. Sharing transition lessons learned, pooling resources to address common challenges where appropriate, and developing collaborative initiatives will benefit all institutions' transition plans.

Getting started with Industry engagement

Making sure to account for antitrust laws and other regulatory matters where appropriate, consider:

- peers, organizations, and thought-leaders who are working on net-zero-related issues;
- key net-zero issues that would be helpful to support the approach you have selected to meet your net-zero commitment; and
- initiatives that would provide guidance or opportunities for you to interact with thought-leaders and industry standard setters in climate change and net zero.

2. Component: Industry



Guidance

► Financial institutions should **pursue with peers** (where relevant, appropriate, and in compliance with all applicable antitrust laws) and **other industry-related bodies working in these areas** any of the **following objectives** that are consistent with their net-zero priorities and support 1.5 degrees C alignment.

1. Learn from other institutions e.g., by:

- encouraging adoption of NZTPs;
- seeking common approaches to support comparability;
- collaborating to solve challenges that arise in designing and executing a transition plan; and
- engaging in cross-sector initiatives in the real economy to help accelerate the phaseout of high-emitting assets and rollout of transition infrastructure.

2. Represent a pan-financial sector view on critical issues e.g., by:

- joining a sector-specific net-zero alliance that brings peers together under a common set of commitments, and helps members implement those commitments;
- joining relevant industry initiatives that focus on net-zero transition planning for a specific sector or on a specific topic;
- participating in sector-specific or pan-sector finance group(s) that are working toward consistency on expectations for real-economy companies on information needs, such as real-economy disclosure; and
- working to address and overcome data challenges by collecting consistent data.

3. Sign on to public climate-transition-specific commitments:

- jointly develop or publicly support industry-wide calls to action aimed at policymakers, regulators, supervisors, and global standard setters.
- enter into bilateral and multilateral engagements with both financial institutions and stakeholders outside the sector to build industry- and system-wide thought leadership and to enable solutions. Partnerships could be with real-economy firms, governments, or civil society organizations.
- lead or participate in public webinars, events, or panels to enable knowledge sharing on a mass scale across the industry or pan-sector on both technical and operational topics relating to the net-zero transition.

2. Component: Industry



Example implementation of the guidance – What resonates with you?



The Investor Agenda's framework for Investor Climate Action Plans (sub-sector: Investing)

WHAT was implemented?

The Investor Agenda, a collaboration of groups that work with investors (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEP FI) released a framework for Investor Climate Action Plans (ICAPs), the ICAPs Expectations Ladder,¹ in May 2021 to provide clear expectations for issuing and implementing comprehensive climate action plans.

The ICAPs Expectations Ladder summarizes the key climate actions investors can take in the four focus areas of the Investor Agenda: investment, corporate engagement, policy advocacy, and investor disclosure. Governance is a crosscutting theme across all four areas.



2 Focus Area Corporate Engagement			
Tier 4	Tier 3	Tier 2	Tier 1
Collective/collaborative engagement			
Support collective/collaborative engagement initiatives that encourage better governance, management and disclosure of greenhouse gas emissions and physical climate risks	Actively participate in collective/collaborative engagement initiatives that encourage companies to establish 1.5°C aligned business strategies	Lead collective/collaborative engagement initiatives that encourage companies to establish 1.5°C aligned business strategies and publish target companies	Support private resolutions that call on companies to address material and systemic climate risks and opportunities (in situations where the company has shown little commitment to aligning its business strategies with 1.5°C pathways)
3 Focus Area Policy Advocacy			
Tier 4	Tier 3	Tier 2	Tier 1
Investor statements			
Engage directly with companies, asset managers, industry forums and other entities to encourage better governance, management and disclosure of greenhouse gas emissions and physical climate risks	Engage directly with companies, asset managers, industry forums and other entities to encourage better governance, management and disclosure of greenhouse gas emissions and physical climate risks	Support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net-zero emissions by 2050 such as: <ul style="list-style-type: none"> - phasing out coal - phasing out fossil fuel subsidies - introducing carbon pricing 	Support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net-zero emissions by 2050 such as: <ul style="list-style-type: none"> - phasing out coal - phasing out fossil fuel subsidies - introducing carbon pricing
Lobbying			
Explicitly integrate climate change into proxy voting guidelines	Ensure that all lobbying activities carried out by the investor are aligned with the goals of the Paris Agreement	Ensure that all lobbying activities carried out by the investor's trade associations are aligned with the goals of the Paris Agreement	Review the lobbying activities of all relevant trade associations and industry bodies to ensure that they are in line with the goals of the Paris Agreement. Require the organization to join the lobbying initiative or discontinue membership / support to the organization
Advocacy			
Participation in regional or global investor networks and contributing to the organization's advocacy activities	Participate in meetings with governments calling on them to: <ul style="list-style-type: none"> - achieve the Paris Agreement's goals - accelerate private sector investment into the net-zero transition in line with just transition principles - introduce mandatory climate-related financial reporting 	Participate in discussions or meetings with governments (regional, national, sub-national) calling on them to implement policy measures such as: <ul style="list-style-type: none"> - phasing out coal - phasing out fossil fuel subsidies - introducing carbon pricing in line with the goal of achieving net-zero emissions by 2050 	Provide strong public support and join a lobbying initiative or discussion of sustainable finance policy and regulatory measures to ensure 1.5°C aligned financial flows

HOW does the Investor Agenda's framework support industry collaboration?

The ICAPs Expectation Ladder provides deeper guidance for investors consistent with the GFANZ Engagement Strategy guidance.

In particular, it showcases an example of **collaboration within a sector** to develop a common approach (thus supporting **comparability**) and the collective effort to solve challenges arising in designing and executing a transition plan.

Further, it offers companies that use ICAPs the chance to align to a **common framework** that encourages transparency and alignment of engagement, lobbying, and advocacy efforts across real-economy, industry, and policy stakeholders in support of the net-zero transition.

¹ The Investor Agenda, *Investor Climate Action Plans (ICAPs) Expectations Ladder*, 2021.

Engagement Strategy component: **Government and public sector**



3. Component: Government and public sector



Overview and relevance



RECOMMENDATION

Direct and indirect lobbying and public sector engagement should, in a consistent manner, support an orderly transition to net zero, and as appropriate, encourage consistency of clients' and portfolio companies' lobbying and advocacy efforts with the institution's own net-zero objectives.

Why is this component important?



Public policy and regulation **shape international, national, regional, and local strategies** for transitioning to net zero, and will have significant impact on real-economy corporations as well as financial institutions. Financial institutions **engage with a range of government and public-sector institutions** on a broad set of topics through advocacy, lobbying, and other indirect channels, with the goal of **influencing the direction of policy and regulation**.

Getting started with Government and public sector engagement

Previously existing engagement activities with the public sector should be adapted to include engagement on the just transition to net zero and topics that support it.

The GFANZ [Call to Action](#) and [Call to Action: One Year On](#) reports can be used for an orientation about policy levers that G20 governments could pull to provide households, businesses, financial institutions, and investors with sufficient clarity and confidence on how each G20 country will deliver on its climate commitments.

3. Component: Government and public sector



Guidance

- ▶ Financial institutions **engaging with public-sector institutions** should **proactively include topics that support or enable an accelerated and orderly transition to net zero**.
- ▶ Financial institutions should work to **ensure that policy engagement strategies are supportive of net zero** and they should set out clear, objective statements with their focus areas for government support.

To do so, financial institutions should conduct reviews of direct and indirect policy positions to see that they are aligned with the institution's net-zero commitments and with the overall transition to a net-zero economy.



For more detail on engagement topics and how they might be used to guide engagement with government and the public sector, refer to the GFANZ policy [Call to Action](#) and [Update](#).

Engagement topics could include:

National net-zero targets and strategies:

- establishing interim and 2050 targets at the country level that bring economies in line with 1.5 degrees C scenarios, underpinned by an economy-wide transition plan, including credible and well-communicated strategies for different sectors, derived from credible, science-based sectoral pathways

Aligning regulation with net-zero delivery:

- supporting (globally) consistent disclosure and transition planning policy

Pricing the externalities of carbon emissions:

- establishing direct and indirect carbon pricing instruments and supporting the development of high-integrity private voluntary carbon markets

Accelerating the real-economy transition through incentives and policies:

- catalyzing private investment to enable the real-economy transition, designing market models for climate solutions, and defining fiscal incentives to reduce the “green” premium

Mobilizing capital flows to emerging markets and developing economies:

- delivering an enhanced Country Platform framework that delivers on the aspects proposed within GFANZ's Country Platform Statement

3. Component: Government and public sector



Example implementation of the guidance – What resonates with you?

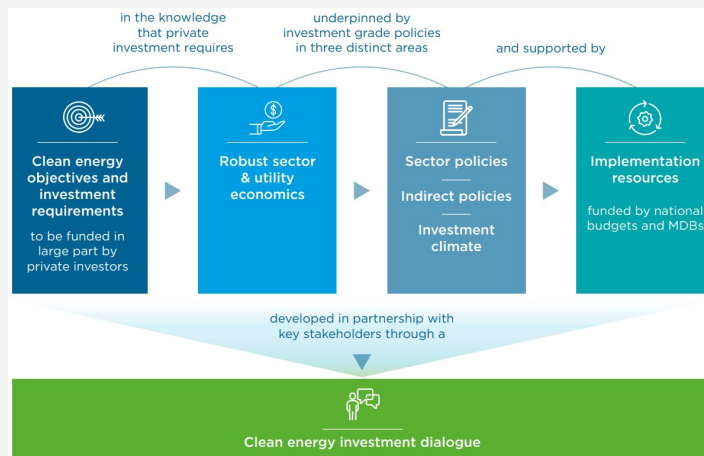
Impax advocacy on climate solutions (sub-sector: Asset Management)

WHAT was implemented?

Impax Asset Management is a UK-based asset management group working to demonstrate its commitment to reaching net-zero GHG emissions by 2050, in line with global efforts to limit warming to 1.5 degrees C. Impax sees active engagement as a key part of its role and collaborates with clients and others to create policies supportive of a low-carbon, sustainable economy.

Impax has established a Global Policy Group that brings together expertise from across the firm to implement a rolling three-year advocacy plan focused on engagement with policymakers in Europe and the United States.

In early 2020, Impax produced a *Clean Investment Roadmaps white paper*,¹ which called for governments to make investment opportunities more explicit by breaking down their national climate goals into clear sectoral road maps. Impax actively contributed to commitments and calls to action that emerged at COP26. During 2021, Impax also advocated in favor of improvements to the regulation of climate-related disclosures.



¹ Impax Asset Management, *Clean Investment Roadmaps*, 2020.

HOW does Impax lobby for net zero?

Impax's advocacy work is an example of **lobbying efforts in support of an orderly transition** to net zero.

It makes use of a **diverse range of engagement approaches** referenced in the GFANZ framework, from consultations and sign-on letters to publishing perspectives and funding research.

Impax outlines clear actions that they encourage governments to take in order to allow the more efficient mobilization of private finance in support of the transition to net zero.

Questions for discussion and reflection



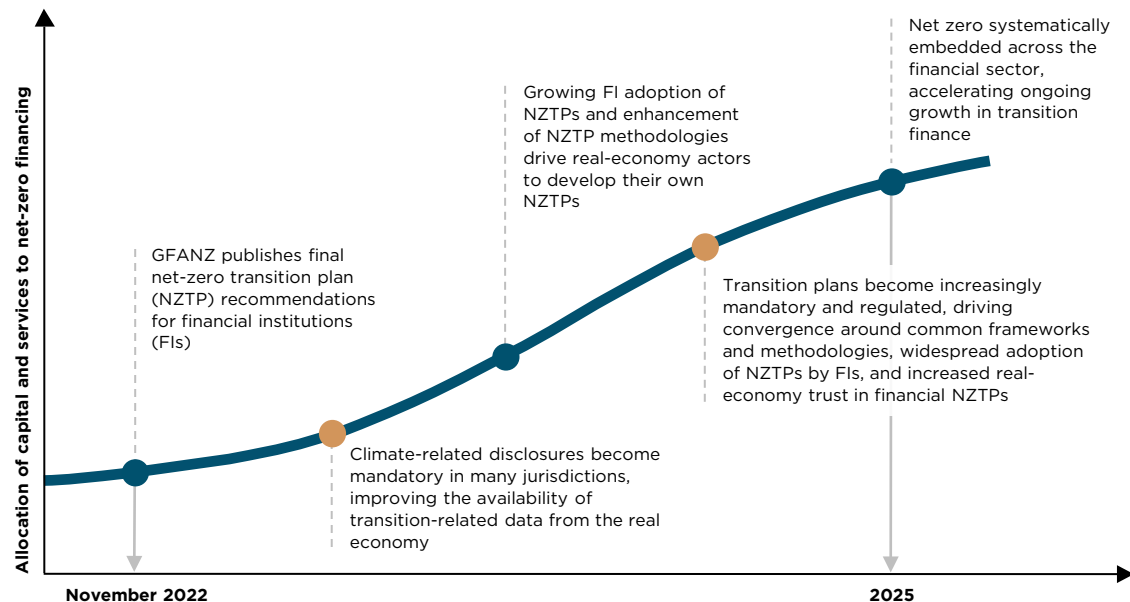
- Setting engagement goals: Discuss existing areas of engagement and how these channels can be used to support/enable the net-zero transition.
- Discuss if there are stakeholders currently not being engaged with and the case for engaging with them.
- Discuss areas of engagement that would be beneficial for your institution to engage in (e.g., data, physical risk modeling, supporting disclosure from real-economy companies).

End thoughts



Setting expectations of net-zero transition planning

An illustrative timeline of the global adoption of NZTP development








Organizations will undergo a process to implement all elements of a NZTP over time. The adoption of NZTPs is expected to increase progressively as data and methodologies for net-zero transition plans mature.

Suggestion for next workshop: **Metrics and Targets**

... for an overview of the Metrics and Targets theme (i.e., how the execution of the NZTP can be appropriately measured and driven forward).

Other modules and FAQ

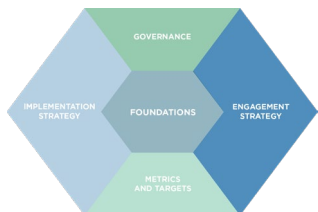
Basics	An introduction to net zero, GFANZ, and the NZTP
	Where to start with the GFANZ NZTP?
	Transition Finance: Basics
GFANZ NZTP themes	 Foundations
	 Implementation Strategy
	 Engagement Strategy <i>This session</i>
	 Metrics and Targets
	 Governance
Real-economy transition plans	Basics for real-economy transition plans
	Themes of real-economy transition plans – Part 1
	Themes of real-economy transition plans – Part 2
Transition Finance	Four Key Transition Financing Strategies
	Decarbonization Contribution Methodologies

 A helpful FAQ about the GFANZ NZTP can be found [here](#).

In this workshop, you have learned ...



What is the Engagement Strategy theme and what is its importance?



- The transition cannot be achieved by one sector alone. The substantial influence the financial industry has in society should be leveraged in support of the transition via effective engagement with key stakeholders.
- The Engagement Strategy theme outlines how financial institutions can work to ensure collective progress toward net zero by engaging with clients and portfolio companies, industry peers, and policymakers.

What are characteristics of engagement with clients and portfolio companies to consider?



- An effective engagement strategy with clients and portfolio companies ideally includes the following:
 1. Clear objectives: What are the desired outcomes expected from clients and portfolio companies?
 2. Timing of engagement: What will be the timeline for the engagement activities? Will there be deadlines?
 3. Coverage: What percentage of client and company portfolios will be covered by the activities?
 4. Method of engagement: How will the engagement be carried out?

What objectives could be pursued by engaging with industry peers?

- Engagement with industry peers could pursue each of the following three objectives:
 1. Learning from peers
 2. Representing a pan-financial sector view on critical issues
 3. Signing on to public climate-transition-specific commitments



What topics might be of relevance when engaging with government and the public sector?

- When engaging with the public sector on the net-zero transition, topics could include the following:
 1. National net-zero targets and strategies
 2. Aligning regulation with net-zero delivery
 3. Pricing the externalities of carbon emissions
 4. Accelerating the real-economy transition through incentives and policies
 5. Mobilizing capital flows to emerging markets and developing economies



What are the standards for real-economy transition plans as outlined by GFANZ?



- In its report [Expectations for Real-economy Transition Plans](#) GFANZ makes available a practical guide for financial institutions engaging with real-economy companies and for these companies when building transition plans and disclosing progress against them.
- The NZTP framework for real-economy firms is based on the same themes and components as for FIs with the exception of “value chain” to focus on supply chain as well as clients.

