

# Net-zero Transition Plan (NZTP) workshop

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GFANZ NZTP THEME: METRICS AND TARGETS



# Legal disclaimer

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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

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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

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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.

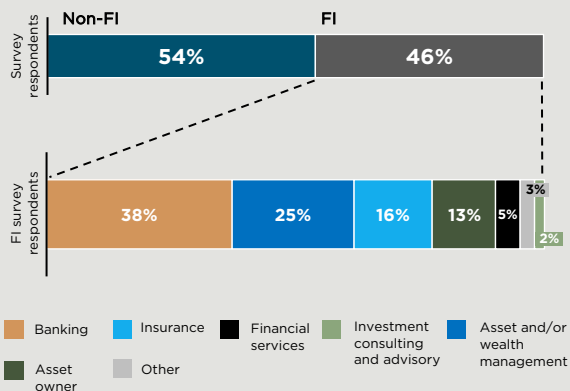
# Development of the framework

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:<sup>1</sup>

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

<sup>1</sup> 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
	Metrics and Targets <i>This session</i>
	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 **Metrics and Targets theme** of the NZTP framework and the **single component belonging to this theme**. It covers recommendations and guidance for the determination of the metrics and targets that will be used to **measure success of the transition plan**. The workshop also provides information on portfolio alignment metrics.



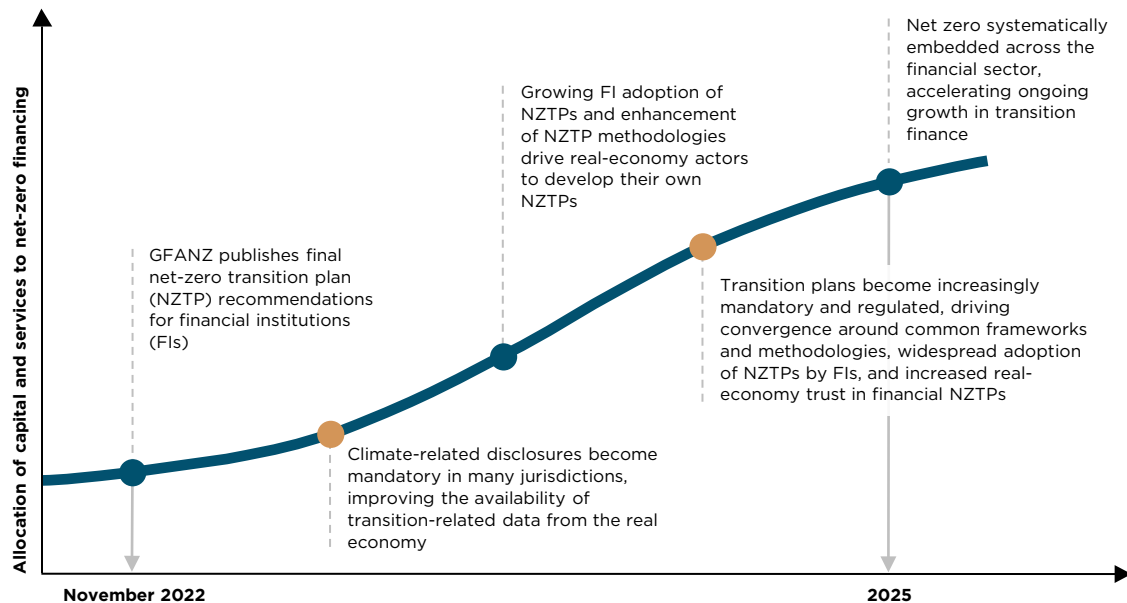
# Setting expectations of net-zero transition planning

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.

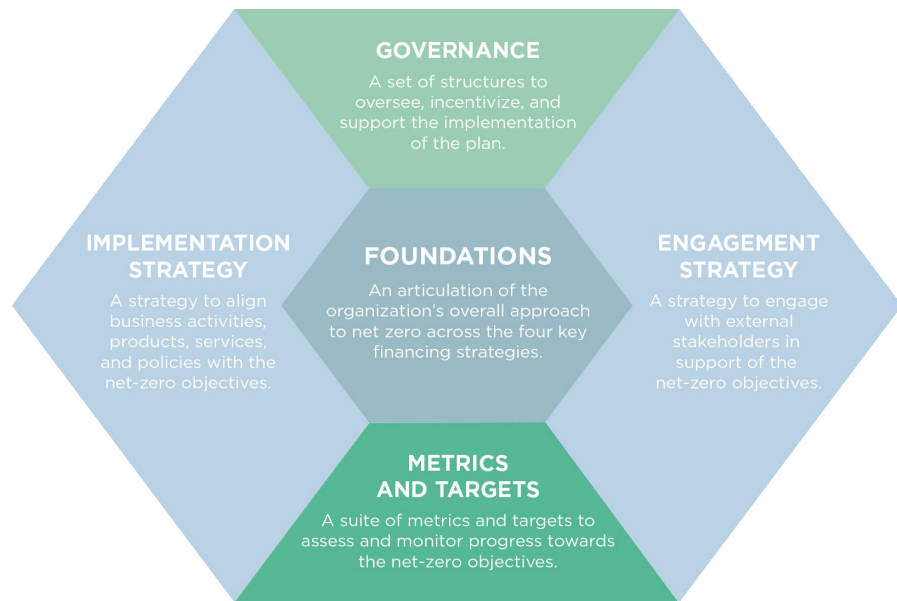
## METRICS AND TARGETS

Metrics and targets allow tracking progress toward net zero. As methodologies mature and better data becomes available, previously set metrics and targets can be adjusted and new ones added.



# Introduction to NZTP theme Metrics and Targets

This session focuses on the Metrics and Targets 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

# In this workshop, you will learn ...

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## Rationale

1. What is the importance of the Metrics and Targets theme within the GFANZ NZTP framework?

## Forward-looking metrics

2. What is the value of forward-looking metrics and which ones can help me to assess portfolio alignment?

## Recommendation and guidance

3. What parts of a NZTP can use metrics and targets to monitor progress beyond the final net-zero commitment?



# 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](#)

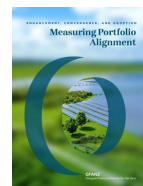
Three **additional reports** give more detailed insight into particular **areas of interest** that are of relevance to the different NZTP themes:



## 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](#)

# Questions for discussion and reflection

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- What do you hope to learn in this workshop?
- What climate metrics does your institution use now? What do these metrics tell you?

# Structure of the Metrics and Targets theme workshop

## Metrics and Targets rationale

Spotlight on: Portfolio alignment and forward-looking metrics

## Theme component

### Component: Metrics and targets

- a. Overview and relevance
- b. Guidance (overview of metric types)
  - Real-economy transition metrics and targets (example implementation of the guidance)
  - Plan execution metrics and targets (example implementation of the guidance)
  - Portfolio emissions metrics and targets (example implementation of the guidance)

Point of interest: Absolute and intensity targets

# Metrics and Targets theme: **Rationale**



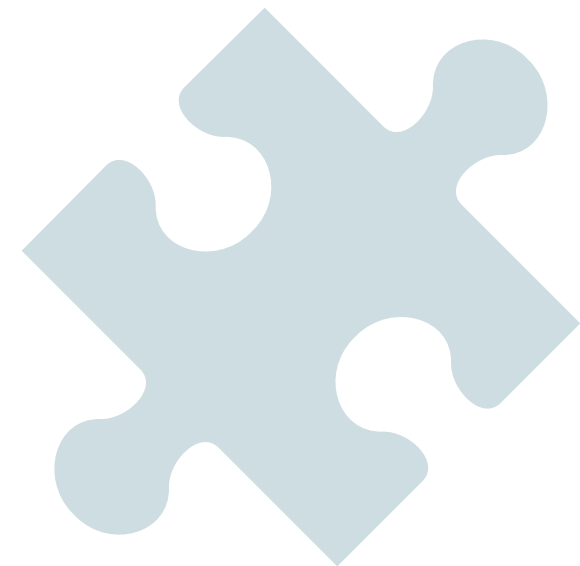
# What is the Metrics and Targets theme?

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This theme focuses on both the **ultimate net-zero goal** and on more detailed metrics and targets that represent **components** of the net-zero goal and **progress of plan execution**.

The theme considers **qualitative and quantitative** metrics as well as **forward-looking and backward-looking metrics**.

The selection of metrics and targets may reflect the **stage of planning and plan execution** of your organization as well as key net-zero commitment drivers such as your **objectives and priorities**.





# Why do we need the Metrics and Targets theme?

Determining clear targets and measuring progress against them helps to keep the transition progress on track

## BEFORE WE BEGIN

Your organization **has committed or is committing** to be net zero and will be **mobilizing multiple areas of the business** toward this goal. Ideally, objectives, priorities, roles, and approaches will have been discussed.

## WHAT NEEDS TO BE DONE?

Once an overall strategy has been defined and actions are being taken to transition to net zero, their **efficacy and progress need to be assessed regularly** to track progress toward net zero. This may require **measurement and monitoring through qualitative and/or quantitative metrics and targets**.

## HOW DOES THE METRICS AND TARGETS THEME HELP?

Clear metrics are needed to **keep track** and **demonstrate progress** against net-zero objectives. Both forward-looking and backward-looking metrics provide valuable information, and the choice of appropriate metrics will differ for specific financial institutions.

Well-formulated targets with quantitative elements across all themes and components of a NZTP enable **credible** and **clear** net-zero objectives. Targets should be made up of both long- and short/medium-term components to incentivize real-economy impact. By doing so, they help to **translate objectives into tangible results**.

Spotlight on:  
**Portfolio  
alignment and  
forward-looking  
metrics**



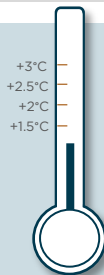
# Portfolio alignment and forward-looking metrics<sup>1</sup>

## Why and how to measure portfolio alignment?

### Why do we need forward-looking portfolio alignment metrics?

The IPCC's sixth synthesis report<sup>2</sup> states that **progress on aligning financing activities with the goals of the Paris Agreement remains low**. To demonstrate progress, we need metrics to assess how aligned company and client portfolios are with the goals of the Paris Agreement.

Such metrics can be classified into backward- and forward-looking metrics. **Backward-looking metrics** concentrate on data from the past (such as past emissions) but **cannot represent how planned changes in activities following a transition plan might align with the Paris Agreement or change risk and opportunity profiles**.



### How can forward-looking portfolio alignment metrics support transition finance and real-economy emissions reductions?

A **focus on the future is crucial** to support transition activities that will be compatible with a 1.5 degrees C world. Rather than an exclusive focus on past and current emissions rates, the GFANZ NZTP framework suggests that **future decarbonization rates should be considered by using forward-looking metrics**. In this way, **finance is directed to companies that are most actively advancing the transition** to a net-zero economy, independent of their current emissions rates.

Portfolio alignment metrics are not yet useful to adequately measure the pathway for those companies that develop climate solutions and phase out high-emitting assets early. However, the **metrics are already useful for assessing aligned and aligning companies**, which likely represent a large portion of financial institutions' portfolios today.



! Further detail on the four financing strategies underpinning transition finance is available in a dedicated [workshop](#).

### Use cases of portfolio alignment metrics

A practitioner survey identified seven use cases across two broad dimensions: **decision-making** and **communication**.

For **decision-making**, asset managers and asset owners are using portfolio alignment metrics for **investment selection** and **portfolio construction**.

For **communication**, the most **mature** use case is the **disclosure of progress**, with different institution types **expressing how effectively they are progressing** against net-zero goals.



**End user types:**  
**AM** = Asset Manager  
**AO** = Asset Owners  
**B** = Banks  
**IC** = Investment Consultants  
**IU** = Insurance Underwriters  
**CBG** = Central Banks and Governments

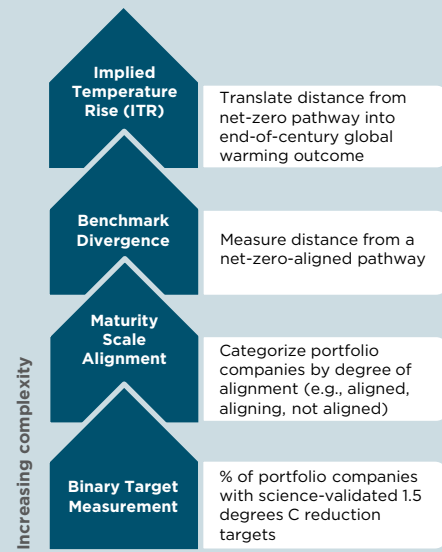
<sup>1</sup> For detailed information and guidance on portfolio alignment metrics, please refer to the GFANZ [Measuring Portfolio Alignment](#) report.  
<sup>2</sup> IPCC. [AR6 Synthesis Report: Climate Change 2023](#).

# Portfolio alignment and forward-looking metrics<sup>1</sup>

## The ecosystem of portfolio alignment metrics

### There are four categories of portfolio alignment metrics

Four broad alignment metric categories are currently used by practitioners, and have a significant range in their complexity.



### What are some suggested evaluation criteria of portfolio alignment metrics?

The selection of the decision-useful portfolio alignment metrics could be based on:

- Ease of use:** simple to use regardless of institution size
- Transparency:** underlying assumptions the metric is based on are clear to end users
- Scientific robustness:** construction of the metric is based on latest science (e.g., sectoral pathways)
- Aggregability:** metric can be easily and meaningfully aggregated at portfolio level
- Suitability for directing capital:** metric is useful to incentivize capital to those sectors that need to transition

### Estimating forward-looking emissions

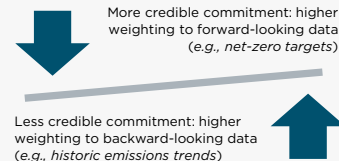
GFANZ guidance aims to combine backward- and forward-looking data to measure portfolio alignment. Practitioners should calculate a real-economy company's alignment based on a **credibility-weighted** combination of two distinct emissions forecasts:

- A **forward-looking** approach based on stated **emissions reduction targets**
- A **backward-looking** approach based on **historical emissions**

Both approaches together can produce a **credible forecast for future emissions**.

### Assessing the credibility of companies' emissions reduction targets and transition plans

Where forward-looking data are less credible (e.g., if practitioners project emissions reductions based on stated targets without any credibility check of such targets) a higher weighting may be applied to backward-looking data.



**Other KPIs** for an illustrative target credibility framework for measuring portfolio alignment could be:

- third-party validation** of reduction target based on 1.5 degrees C science-aligned pathway, including short- and long-term components;
- executive oversight** linked to target;
- an enabling **policy environment**; and
- A disclosed **transition plan**.

<sup>1</sup> For detailed information and guidance on Portfolio Alignment Metrics, please refer to the GFANZ [Measuring Portfolio Alignment](#) report.

# Questions for discussion and reflection

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- What are examples of backward-looking climate metrics your organization/department uses? What would be the benefit of including forward-looking metrics?
- Discuss how the four categories of portfolio alignment metrics (Implied Temperature Rise, Benchmark Divergence, Maturity Scale Alignment, and Binary Target Measurement) might compare regarding their ease of use and scientific robustness.

# Metrics and Targets component: **Metrics and targets**



# Component: Metrics and targets

## Overview and relevance








### RECOMMENDATION

**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 targets focused on aligning financial activity in support of the real-economy net-zero transition; on executing the transition plan; and on measuring changes in client and portfolio GHG emissions.**

#### Why is this component important?

Metrics and targets can support a transition to net zero in multiple ways, e.g., by:

-  **signaling commitment** to net zero;
-  **driving action** inside an institution;
-  **monitoring progress** toward the net-zero target (in both short/medium and long term);
-  **increasing understanding** of client and portfolio company plans; and
-  **driving funds** toward real-economy transition activities.

In order to fulfill each of the above, setting an individual metric or target will not be enough; instead, metrics and targets need to be used **across all themes and components of a transition plan** to monitor progress along them.

#### Getting started with Metrics and targets

The choice of metrics and targets that are appropriate to monitor progress will include any required by sector guidance plus others that may vary by the approach taken in the net-zero transition plan.

An institution may start with a core set of metrics and targets and adjust or add to this set as methodologies mature, data becomes available, data quality improves, and the NZTP is built out.

Despite current challenges, **setting targets and measuring progress against them must not be delayed.**

# Component: Metrics and targets

## Guidance

## Overview of metric types

Institutions should use **multiple metrics to track progress toward their interim and final net-zero targets**. GFANZ acknowledges that emphasizing portfolio emissions reduction targets, such as portfolio footprints, could have unintended consequences of reducing financing support to real-economy emissions reduction efforts.

### Three overarching categories of metrics and targets to monitor progress within are:

 <h4>1. Real-economy transition</h4>     <p>Climate solutions Aligned Aligning Managed phaseout</p>	<p>Monitor <b>progress in directing capital to real-economy net-zero transition</b> activities as outlined in the <b>four key financing strategies</b>.</p> <p>Note that some of these actions could temporarily increase portfolio emissions; portfolio emissions footprint metrics may therefore not reflect the extent of transition activities taking place.</p> <ul style="list-style-type: none"><li>• <b>Climate solutions:</b> a range of metrics available; target setting still nascent; use of sectoral pathways recommended</li><li>• <b>Aligned:</b> metrics could be drawn from criteria used to assess current and ongoing alignment to a 1.5 degrees C pathway; criteria should be reviewed over time</li><li>• <b>Aligning:</b> metrics could be drawn from definitions of “transitioning” activities; might be similar to metrics for Aligning category but focus on an earlier stage; will depend on transition plans and their execution; criteria should be reviewed over time</li><li>• <b>Managed phaseout:</b> specialized metrics and targets needed; metrics should demonstrate benefits of early retirement on emissions and broader impacts (e.g., workforce development)</li></ul>
 <h4>2. Plan execution</h4>	<p>Monitor <b>transition plan implementation across the organization</b>, including its strategy, internal processes, professional staff, and internal functions such as portfolio metrics and engagement.</p> <p>This can be designed to cover all elements (i.e., themes and components) of the net-zero transition plan.</p>
 <h4>3. Portfolio emissions</h4>	<p>Monitor <b>financed emissions reductions with transparency on the link to real-economy emissions reductions</b>.</p> <p><b>Standards:</b> The choice of metrics and targets should follow sector-specific guidance or industry standards.</p> <p><b>Forward and backward:</b> The use of both backward-looking and forward-looking metrics allows a holistic view of past and planned future emissions.</p> <p><b>Science-based:</b> Targets should be consistent with science-based 1.5 degrees C scenarios and pathways and should set clear baseline years as well as interim targets.</p> <p><b>Carbon credits:</b> Should be monitored alongside but separate from portfolio emissions and emissions reduction targets, with clarity on how and when credits are used.</p>



# Component: Metrics and targets



## Example implementation of the guidance

### 1. Real-economy transition metrics and targets

- ▶ Financial institutions should use metrics and targets to **monitor and describe progress in supporting the key financing strategies they selected to prioritize** in their transition plans.
- ▶ Where possible a financial institution should **test the assumptions around the inputs** used in the calculation of real-economy targets and metrics to assess how the institution's **performance and progress may be impacted by external conditions** (e.g., technology availability, government policies) that differ from the initial assumptions.

#### Key financing strategy

#### Considerations for a financial institution:

#### Examples of metrics to look for with real-economy companies:



#### CLIMATE SOLUTIONS

Financing or enabling the development and scaling of climate solutions to replace high-emitting technologies or services.

Financial institutions seeking to enable and finance the development or scaling of climate solutions should consider a range of metrics to track the impact of solutions on real-economy emissions reduction. Target setting for climate solutions is still nascent, but, where available, sectoral pathways could be used to set targets in line with the scale needed to achieve net zero.



- avoided emissions from using a specific technology (e.g., lower emissions from energy efficient technology)
- amount, absolute or proportion, of portfolio under a net-zero or transition taxonomy (e.g., proportion of portfolio dedicated to Paris-aligned assets)
- number and total value of financing/investments linked to transition strategy
- amount of portfolio committed to climate solutions (e.g., forward-looking commitment to finance \$2 billion to climate solutions in two years)
- physical indicators (e.g., number of sustainable aviation fuel plants financed)



#### ALIGNED

Financing or enabling companies that are already aligned to a 1.5 degrees C pathway.

Financial institutions supporting those companies or assets that are already substantially aligned should determine the metrics to monitor progress of financing of this key strategy. These metrics could be drawn from criteria used to assess the current and ongoing alignment to a 1.5 degrees C pathway of the companies or assets. The criteria should also be reviewed and updated over time.



- backward-looking emissions trends year over year for a company or asset
- forward-looking metrics, such as those discussed in GFANZ's report on portfolio alignment measurement, including those applied to a company or asset or set thereof
- have third-party certification of alignment to a pathway
- show complete, or near-complete, implementation of a net-zero transition plan (e.g., review against a disclosure framework)
- achieved categorization under a net-zero taxonomy

Considerations for the key financing strategies "Aligning" and "Managed phaseout" are shown on the following slide.

# Component: Metrics and targets



## Example implementation of the guidance

### 1. Real-economy transition metrics and targets

#### Key financing strategy



#### ALIGNING

Financing or enabling the transition of real-economy firms according to transparent and robust net-zero transition plans in line with 1.5 degrees C-aligned sectoral pathways.

#### Considerations for a financial institution:

Financial institutions supporting those companies that have committed to transition and are beginning the process, or are still transitioning, should determine metrics to monitor links between financing support and transition activities, as well as progress of financing of this key approach. These metrics could be drawn from the criteria of what “transitioning” means. This criteria will be similar to that for companies and assets already aligned to net zero but account for an earlier stage of transition activity and depend heavily on net-zero transition plans and their execution. The criteria should also be reviewed and updated periodically.

#### Examples of metrics to look for with real-economy companies:

- forward-looking emissions metrics (e.g., portfolio alignment metrics)
- backward-looking GHG emissions changes year over year
- cumulative emissions changes over time that are achieved or projected to be achieved
- amount, absolute or proportion, of portfolio companies or clients with a net-zero transition plan that has been assessed for completeness and credibility (e.g., by a third-party certification, as per industry guidance)
- the amount, absolute or proportion, of portfolio companies or clients that have allocation of CapEx, OpEx, or R&D budgets to transition activities and/or the quantities of such allocation
- the amount, absolute or proportion, based on revenue, in accordance with specified assessment criteria, that is coming from net-zero-aligned products and services
- the amount, absolute or proportion, of portfolio companies or clients that are using a credible, science-based net-zero pathway



#### MANAGED PHASEOUT

Financing or enabling the accelerated managed phaseout (e.g., via early retirement) of high-emitting physical assets.

The GFANZ report [The Managed Phaseout of High-emitting Assets](#) provides initial and preliminary guidance on a net-zero-aligned approach to financing or enabling high-emitting assets where there is a plan for their early retirement. The report notes that such an approach would need its own metrics and targets. Financial institutions should consider metrics that demonstrate how a Managed phaseout plan through early retirement will reduce emissions as well as broader impacts (e.g., related to the workforce).

- number, absolute or proportion, of engagements to identify eligible high-emitting assets and proceed to early retirement
- capital invested, deployed, or committed toward managed phaseout schemes
- avoided emissions from early retirement of high-emitting assets
- physical indicators; for example, GW of coal capacity or number of physical assets, in a managed phaseout strategy

# Component: Metrics and targets



## Example implementation of the guidance

## 2. Plan execution metrics and targets

► Financial institutions should set targets and monitor metrics that indicate their organization's progress in executing on their net-zero transition, pertaining to any themes and components of the transition plan.

Examples of metrics and targets for the NZTP themes could include examples such as:



### Foundations (i.e., objectives and priorities):

- number of business lines within the financial institution with specific net-zero objectives as part of their strategy (e.g., 60% of business lines, representing 90% of the real-economy emissions in the portfolio)
- confirmation of board approval, and record of ongoing updates and comments/queries on progress



### Implementation Strategy (i.e., core business functions):

- amount, number, or proportion of decisions (e.g., loan decisions, investment decisions) or amount of portfolio emissions covered by net-zero transition objectives
- amount, number, or proportion of portfolio covered by key policies and conditions on topics such as coal, oil and gas, and deforestation
- amount, number, or proportion of products and services that are aligned to the NZTP



### Engagement Strategy (i.e., stakeholders):

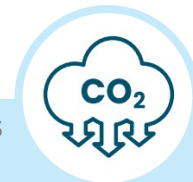
- amount, number, or proportion of clients or portfolio companies included in climate-related engagement activities (by portfolio, by topic/theme, etc.)
- collaboration activities with academia, peers, NGOs, and real-economy actors to address shared challenges
- outcomes, such as percentage of climate-related engagements that led to a material positive change, such as increase in verification of net-zero targets using metrics like a binary target measurement



### Governance (i.e., oversight functions):

- number of training sessions completed by employees, board members, and management with specific responsibilities in the NZTP, and/or percentage of company aware of the organization's net-zero transition ambition, strategy, and priorities
- number or proportion of senior management and board members who contribute climate knowledge
- number or proportion of individuals, including at senior levels, with remuneration linked to progress against and achievement of targets
- percentage of internal reporting to senior levels that include reporting on the net-zero transition
- resource allocation to implementing the net-zero transition plan

# Component: Metrics and targets



## Example implementation of the guidance

Financed emissions metrics and targets, and the methodology to develop them, should be chosen in **alignment with sector-specific guidance, or with industry standards**. Multiple metrics may be needed for a **holistic view** (e.g., to distinguish between on-balance-sheet emissions versus those “facilitated” by financial institutions on the behalf of their client).

### Examples of financed emissions metrics by category

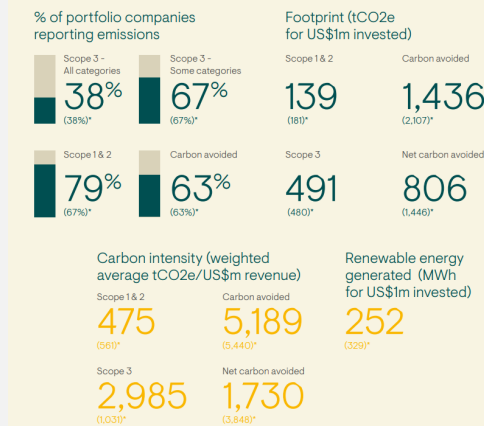
Category	Examples of financed emissions metrics to set targets against
<b>Coverage</b>	Activities covered by financed GHG emissions
	Financed GHG emissions covered by target (%)
<b>Absolute</b>	Portfolio/sub-portfolio/sector-level Scope 1 GHG emissions (mtCO <sub>2</sub> e) (and equivalent for Scope 2 and Scope 3)
<b>Intensity-aligned</b>	Portfolio/sub-portfolio/sector-level economic intensity (mtCO <sub>2</sub> e/\$ revenue, \$ lent/\$ million investment or \$ lent/\$ AUM)
	Portfolio/sub-portfolio/sector-specific physical intensity (mtCO <sub>2</sub> e/production metric)
<b>Alignment-based</b>	Portfolio alignment metrics
	Capacity-based metrics (to assess the technologies and asset-level distribution needed for Paris alignment)
	Binary target measurement metrics (e.g., percentage of clients, investments, or portfolio companies with declared net-zero or Paris-aligned targets)
<b>Beyond value chain mitigation</b>	Share of exposure to companies achieving carbon neutrality
	Percentage of companies using offsets (and of those, percentage of companies using offsets to achieve carbon neutrality)
	Percentage of residual emissions compensated for using high-quality carbon credits by type

## 3. Portfolio emissions metrics and targets

### Case study: Ninety One's emissions metrics and targets (sub-sector: Asset Management)

#### WHAT was implemented?

Ninety One's Global Environment portfolio invests in companies providing solutions and enabling the transition. Believing that no single data point or metric can describe whether a company is delivering this role in the transition to net zero, it has implemented a sustainability data dashboard to help investors compare the portfolio to other investments.<sup>1</sup>



#### HOW does it represent a more complete story of the transition?

Consistent with GFANZ's recommendation, Ninety One follows a range of metrics and sets targets against them.

It covers Scopes 1, 2, and 3, disclosing portfolio coverage across them.

The benefits of using climate dashboards are explored further in section 3.8 of the GFANZ report on [Measuring Portfolio Alignment](#).

<sup>1</sup> Ninety One. *Global Environment Impact report*, 2021, p. 3.

# Component: Metrics and targets

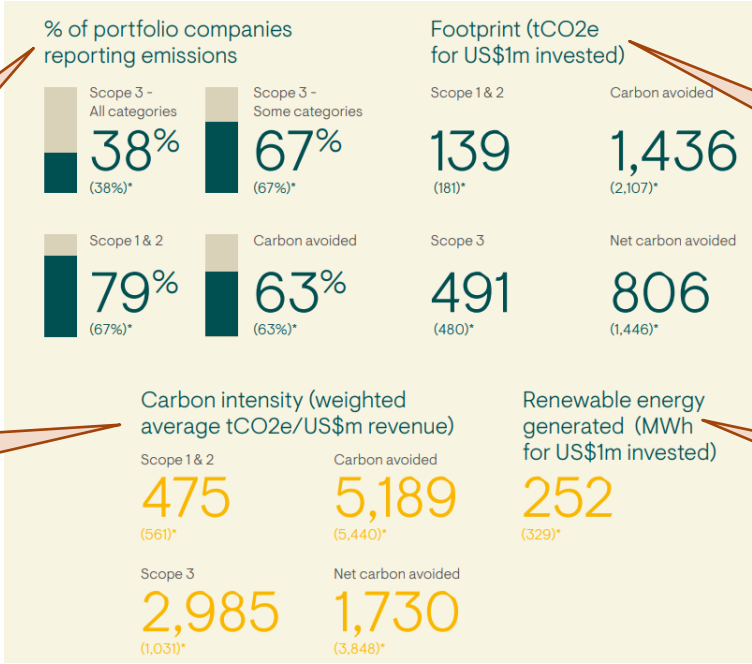


## Example implementation of the guidance

## 3. Portfolio emissions metrics and targets

### Case study: Ninety One's<sup>1</sup> emissions metrics and targets (sub-sector: Asset Management)

Reporting the percentage of portfolio companies reporting emissions shows a focus on transparency and also gives an insight into data availability, quality, and **coverage**.



Intensity metrics allows comparison between portfolios and **impact of capital invested**.

Weighted average **intensity metrics** allow **aggregation** of assets in a portfolio.

The dashboard also highlights a section on renewable energy generation, demonstrating a **focus on energy/climate solutions**.

<sup>1</sup> Ninety One. *Global Environment Impact report*, 2021. p. 3.

Point of interest:  
**Absolute and  
intensity  
metrics**



# Point of interest: Absolute and intensity metrics

Considerations on the use of emissions units and example application for oil and gas companies

## Comparison of metric types by measurement unit

Measurement unit	Example	Advantages	Drawbacks
<b>Production</b>	Number of vehicles sold	+ Reinforces link between net-zero transition and essential technology shifts	- Only available for a small number of sectors - Efficiency of the production process is not reflected
<b>Absolute emissions</b>	Tons of CO <sub>2</sub> e	+ Preserves direct links to carbon budget	- Penalizes net-zero transition activities
<b>Physical intensities</b>	CO <sub>2</sub> e per ton of cement	+ Links directly to production, reflecting improvements in operational efficiency	- Does not capture the need for a reduction in absolute emissions
<b>Economic intensities</b>	CO <sub>2</sub> e per million \$ revenue	+ Available data across all sectors	- Volatile metric that can move without changes in real-world emissions

Absolute metrics may disincentivize investment in transition sectors, constrain growth of low-emissions entities, and make comparability of different-sized portfolios or entities difficult.

## Options for alignment measurements 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<sub>2</sub>/EJ):

- + Considers transition activities
- Does not directly incentivize reduction of output

### Improving operational efficiency (MtCO<sub>2</sub>/barrel):

- + Reducing methane emissions due to gas flaring
- Does not account for demand side management



Ultimately getting absolute emissions to zero is the end goal, and both absolute and intensity metrics should be considered together to measure progress of different pathways to net zero.

# Questions for discussion and reflection

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- What elements of your organization's approach to net zero would you like to track?
- Which metrics would be suitable to track your organization's progress toward net zero?
- Discuss how you would like to access metrics.
- Discuss the benefits of forward-looking metrics.

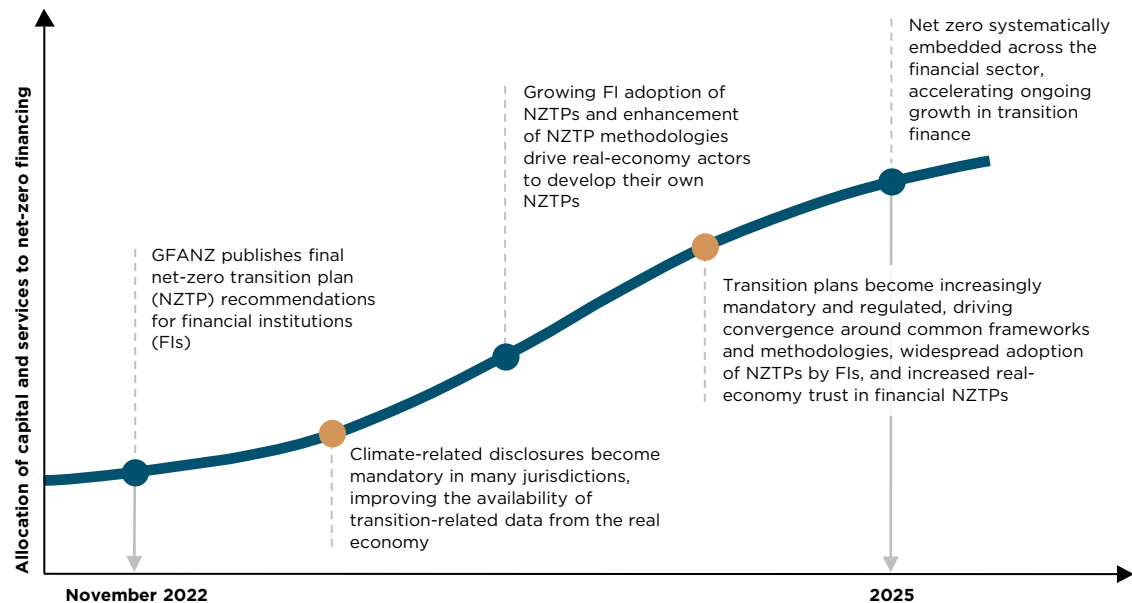


# End thoughts



# Setting expectations of net-zero transition planning

An illustrative timeline of the global adoption of NZTP development



Metrics and targets will be added as new elements of a NZTP are developed and will be refined as better data becomes available.

## Suggestion for next workshop: **Governance**

... for an overview of the Governance theme (i.e., the roles, responsibilities, and remuneration, as well as the skills and culture that need to be fostered, provided, and put into place for the transition).

# Other modules and FAQ

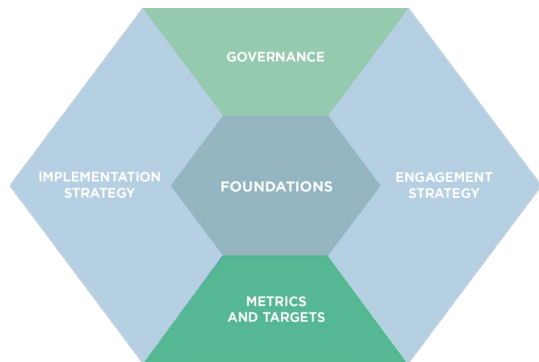
Basics	An introduction to net zero, GFANZ, and the NZTP
	Where to start with the GFANZ NZTP?
	Transition Finance: Basics
GFANZ NZTP themes	 Foundations
	 Implementation Strategy
	 Engagement Strategy
	 <b>Metrics and Targets</b> <i>This session</i>
	 Governance
Real-economy transition plans	Basics for 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 ...

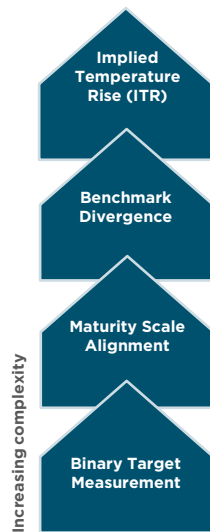


What is the importance of the Metrics and Targets theme within the GFANZ NZTP framework?



- Progress toward net zero can be assessed, communicated, and accelerated by setting clear targets and using transparent metrics.
- Metrics and targets support translating ambitions into actions.

What is the value of forward-looking metrics and which ones can help me to assess portfolio alignment?



- Rather than focusing exclusively on past and present data (e.g., on emissions), forward-looking metrics allow the incorporation of planned changes into assessments.
- Alignment should be assessed using both backward- and forward-looking metrics.
- A range of metrics of different complexities can be used to assess portfolio alignment, and financial institutions should choose a metric that is appropriate for their unique business model.

What parts of a NZTP can use metrics and targets to monitor progress beyond the final net-zero commitment?



- Metrics and targets can and should be used to assess progress across the entire transition plan.
- This includes the use of metrics and targets to gauge progress in supporting the key financing strategies and across financed emissions; but importantly, it also applies to every element of the internal and external transition plan, including the progress made on implementation and engagement activities, alignment of governance structures to the transition, as well as the overall foundational adoption of the plan across the business.

