

Net-zero Transition Plan (NZTP) workshop

THEMES OF REAL-ECONOMY TRANSITION PLANS — PART 2

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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 and related information

This material presents a synthesis of guidance on financial institutions' expectations of real-economy company transition disclosure by the Glasgow Financial Alliance for Net Zero ("GFANZ"). It aims to provide financial institutions with background on potential avenues for engagement with real-economy companies and information from real-economy companies to inform the allocation of capital and services. It can also inform real-economy companies that are developing their transition plans.

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

The expectations for transition plans presented here draw from, and make reference to, existing transition plan guidance, rather than creating a new framework.

Disclosure framework and data collection

Outlines the components that companies should disclose against and provides guidance on how each component should be disclosed



Standards and regulatory frameworks

ISSB

IFRS®

TPT Transition Plan Taskforce



EFrag European Financial Reporting Advisory Group

Target-setting methodologies and validation

Provides guidance for companies to estimate, set, and disclose GHG emission targets; provides and assessment and validation of targets



*Carbon performance dimension

Transition plan assessment tools

Evaluates and assesses a company's transition and GHG emission targets based on reported data, sectoral pathways and disclosure frameworks



ACT ASSESSING LOW CARBON TRANSITION®

*Management quality dimension

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.

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
	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 <i>This session</i>
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 introduces the **Metrics and Targets and Governance themes** of the NZTP framework and how they can be applied to real-economy company transition plans.

Setting expectations of net-zero transition planning

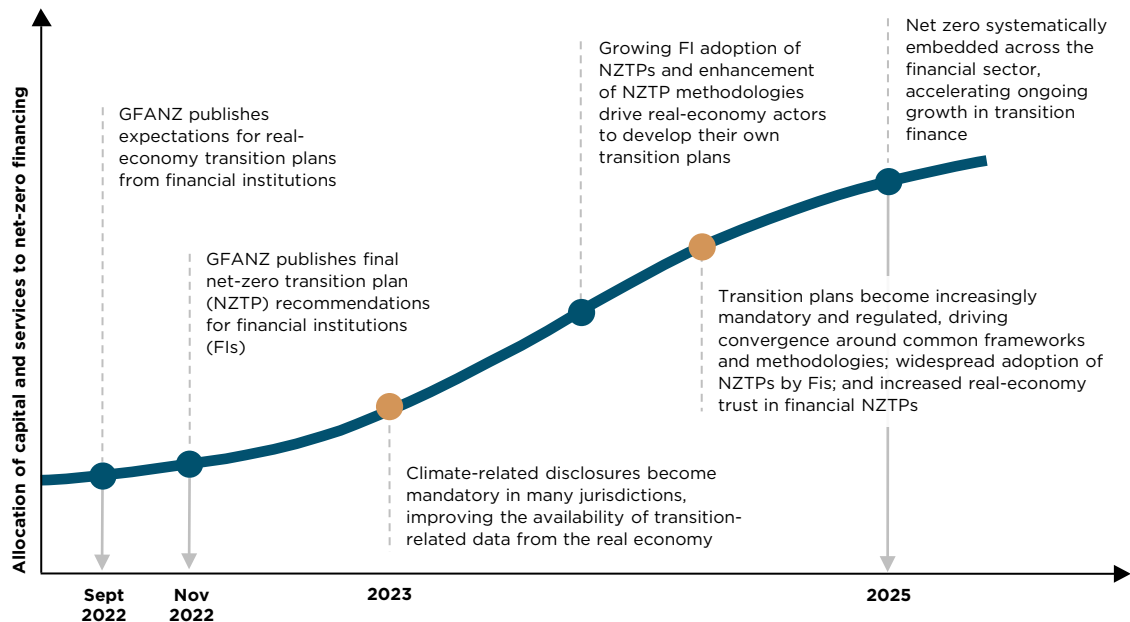
An illustrative timeline of the global adoption of NZTP development

At the time of writing, transition plans are still relatively nascent, with the majority of companies not having developed one. For plans that do exist, comprehensiveness and credibility are key areas of improvement.^{1,2}

Increasingly, transition plans have been included in climate-related disclosure standards. Organizations will undergo a process to implement all the elements of a transition plan over time.

Early adopters are likely to gain a learning advantage and those with credible plans may increasingly be able to access products and services tailored to the low-carbon business models.

“Start Early and Learn by Doing”



¹ CDP "Are companies developing credible climate transition plans?" 2023.

² FTSE Russell. "Mind the gaps: Clarifying corporate carbon," 2022.

Establishing a common language of transition planning

Mapping components of real-economy transition plans against existing frameworks

The GFANZ framework looked at various initiatives covering different aspects of transition planning, seeking to develop a common language of transition planning between the financial sector and the real economy.

GFANZ does not endorse any specific initiative; it aims to promote the use and uptake of existing initiatives and to facilitate the process for companies to retrieve detailed guidance from different initiatives along the key components.

The application of these components is expected to vary based on the size and complexity of the company and the complexity of its transition plan (to help companies prioritize, further guidance is provided in the report).

THEME	COMPONENT	SUB-COMPONENT	DISCLOSURE AND DATA COLLECTION			TARGET-SETTING & VALIDATION		ASSESSMENT TOOLS		
			TCFD	ISSB	CDP	SBTI	TPI-CP	ACT	CA 100+	TPI-MQ
Foundations	Objectives and priorities	• Objectives and overarching strategy								
		• Governing principles								
Implementation Strategy	Activities and decision-making	• Business planning and operations								
		• Financial planning								
		• Sensitivity analysis								
	Policies and conditions	• Transition-related policies								
		• Nature-based impact								
	Products and services	• Products and services								
Engagement Strategy	Value chain	• Clients/portfolio companies and suppliers								
	Industry	• Industry peers								
	Government and public sector	• Government and public sector								
Metrics and Targets	Metrics and targets	• GHG emissions metrics								
		• Sectoral pathways								
		• Carbon credits								
		• Business and operational metrics								
		• Financial metrics								
		• Nature-based metrics								
		• Governance metrics								
Governance	Roles, responsibilities, and remuneration	• Board oversight and reporting								
		• Roles and responsibilities								
		• Incentives and remuneration								
	Skills and culture	• Skills and trainings								
		• Change management and culture								

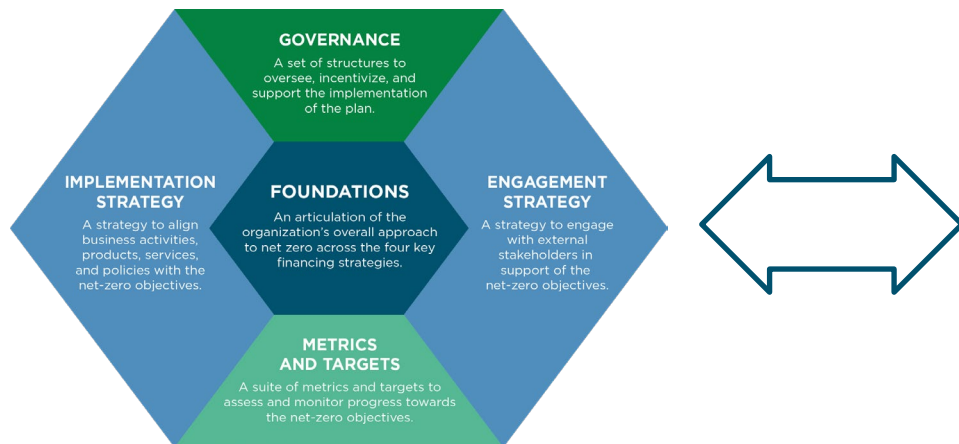
A common language of transition planning

The five themes and ten components of real-economy transition plans are mirrored in the framework for financial institution transition plans, enabling efficient communication and transparency.

What is a 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.

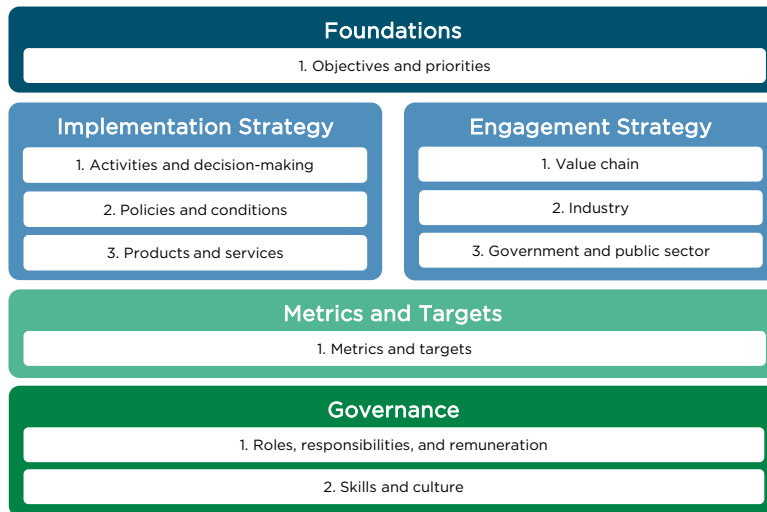
From the [Financial Institution Net-zero Transition Plan](#) report



! Note that the first component of the Engagement Strategy theme for financial institution transition plans is about clients and portfolio companies, while for this component the real-economy transition plan framework considers engagement with the value chain.

What is the role of a real-economy transition plan?

GFANZ acknowledges that different constraints exist across sectors and/or at regional levels regarding the ability of real-economy companies to achieve rapid near-term decarbonization in support of a 2050 goal. A real-economy transition plan can provide transparency regarding the decision logic behind the organization's own specific choices on the five themes relevant to a financial institution's net-zero transition plan.



In this workshop, you will learn ...

1. What is the Metrics and Targets theme as applied to a real-economy company?
2. What sub-components of metrics and targets could be considered and how do they inform an overall transition plan?
3. What is outlined in the Governance theme and what are its two components?



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](#)

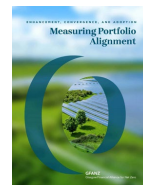
Three **additional reports** give more detailed insight into particular **areas of interest** that are of relevance to the different NZTP themes:



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 Expectations of real-economy transition plans workshop

Metrics and Targets

Introduction to Metrics and Targets

Why do we need the Metrics and Targets theme?

Component: Metrics and Targets

Case studies

Governance

Introduction to Governance

Why do we need the Governance theme?

Components: Roles, responsibilities, and remuneration; Skills and culture

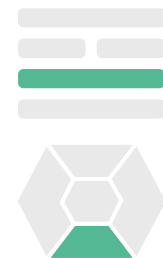
Case study

Real-economy transition plans: Metrics and Targets



Metrics and Targets

The Metrics and Targets theme outlines quantitative goals against which to measure the progress and success of a company's transition plan implementation over time.



Transition plan components

Component	Sub-component
Metrics and targets	GHG emissions metrics
	Sectoral pathways
	Carbon credits
	Business and operational metrics
	Financial metrics
	Nature-based metrics
	Governance metrics

Guidance is evolving and needs clarifying on use of credits

Existing initiatives covering foundations theme¹

Disclosure and data collection



Target setting & validation

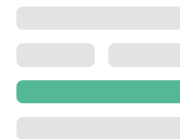


Assessment tools



¹ Components of this theme are covered in the existing guidance of these initiatives

Why do we need the Metrics and Targets theme?



Both targets and metrics provide credibility and clarity of real-world action when companies communicate their transition strategy to internal and external stakeholders.

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 IMPLEMENTATION STRATEGY THEME HELP?

Clear metrics are needed to **keep track of** 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 and to **translate objectives into tangible results**.

HOW IS THIS USEFUL TO FINANCIAL INSTITUTIONS?

Both targets and metrics provide credibility and clarity of real-world action when companies communicate their transition strategy to internal and external stakeholders, including financial institutions. Well-formulated targets allow for the assessment of an organization's long-term decarbonization strategy, as well as its interim activities and results.

Metrics and Targets component



Overview and relevance

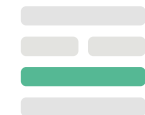


COMPONENT: Metrics and targets

Disclosure of metrics and targets should be done across different components to help financial institutions assess if the plan is actionable, to assess its level of credibility (e.g., by comparing against peers and pathways), and to track progress from year-on-year disclosures. Broadly speaking, the following are indicative of the metrics and targets financial institutions look for:

- **GHG emissions metrics** are a means of assessing if a company's level of ambition aligns with its commitments, as well as to compare companies within their portfolio. Moreover, interim GHG emissions targets help demonstrate to financial institutions that a transition plan will be achievable.
- **Sectoral pathways'** selection clarifies a company's level of ambition by highlighting if, and how, a company's GHG emissions targets are aligned with recognized pathways.
- **Carbon credit** disclosures are needed for financial institutions to understand the details of the use of carbon credits by companies in their portfolios.
- **Business, operational, and financial metrics** allow financial institutions to translate climate targets (e.g., GHG emissions) into tangible key performance indicators (KPIs) for decision-making (e.g., % of CapEx). Moreover, using KPIs alongside tracking of GHG emissions metrics provides financial institutions with confidence regarding whether a company's transition plan will be delivered (i.e., is the company moving fast enough to hit its targets?).

Component: Metrics and targets – GHG emission metrics and targets



Example implementation – What resonates with you?





Holcim discloses detailed GHG emissions targets¹

Commitment: 2050 net-zero targets validated by SBTi: Reduce Scope 1 and 2 GHG emissions intensity by 95% per ton of cementitious. Reduce absolute Scope 3 GHG emissions by 90%.

Holcim provides detailed GHG metrics that allow for a robust understanding of its current state, its targets, and its progress toward those targets. Holcim discloses GHG emissions targets for Scope 1, 2, and 3 emissions for 2030 and 2050 in both absolute and intensity.

These GHG emissions targets include additional, helpful detail and considerations:

- **disclosure of its choice of a recent base year** for its GHG emissions reduction targets (2018) that is not affected by external factors
- **breakdown of Scope 3 emissions** with relevant segmentation (e.g., per ton of purchased clinker and cement, per ton of purchased fuels, per ton of material transported)
- **disclosure of short-term targets (2025)** for its Scope 1 emissions

	SCOPE 1	SCOPE 2	SCOPE 3	
2018	576 BASELINE	38 BASELINE		
2021	553	34	-0%	Kg CO ₂ per ton of purchased clinker and cement
			-9%	Kg CO ₂ per ton of purchased fuels
			-9%	Kg CO ₂ per ton of material transported
2030	475 Kg CO ₂ net/t cementitious	13 Kg CO ₂ /t cementitious	-20%	Kg CO ₂ per ton of purchased clinker and cement
			-20%	Kg CO ₂ per ton of purchased fuels
			-24%	Kg CO ₂ per ton of material transported
2050	 GHG emissions across the value chain validated by  SCIENCE BASED TARGETS			

HOW do Holcim's metrics and targets provide clarity about its transition journey?

Holcim provides a comprehensive suite of metrics that allow insights into its progress towards net zero.

By disclosing this information, Holcim allows financial institutions to easily assess its goals and progress toward those goals.

¹ Example built from public information: Holcim, [Holcim's Net-Zero Journey: Climate Report 2022](#), 2022.

Component: Metrics and targets – Financial metrics and targets



Example implementation – What resonates with you?



Ørsted provides financial metrics with definitions¹

Commitment: Ørsted aims to have net-zero emissions across its entire value chain by 2040.

Ørsted uses the EU taxonomy to disclose low-carbon financial metrics and provides specific definitions of these metrics for readers. Examples of EU taxonomy-eligible financial metrics disclosed include:

- **Revenue**, mainly from its offshore wind, onshore wind, solar farms, and from sustainable biomass-based activities.
- **OpEx**, mainly related to the maintenance of its offshore wind, onshore wind, and solar farms.
- **CapEx**, mainly related to the construction of its offshore wind, onshore wind, and solar farms.

Programme 18

Sustainable finance

EU taxonomy-eligible revenue, OPEX, EBITDA, and CAPEX*

66 %	80 %	90 %	99 %
Revenue	OPEX	EBITDA	CAPEX

We exclusively deploy green and sustainable financing to advance our green transformation and renewable energy build-out, and we align our reporting with recognised ESG frameworks and ratings.

HOW do Ørsted's financial metrics and targets impact its interactions with financial institutions?

Ørsted's disclosure of financial metrics give financial institutions the ability to track and monitor progress of its transition plan. By providing a range of metrics, Ørsted ensures that financial institutions will have the information necessary for decision-making.

Having a robust and detailed transition plan including detailed metrics and targets has allowed Ørsted to become the first organization accredited by Climate Transition Pathway (CTP).² Insurance companies are currently working to provide a number of benefits to companies with accredited transition plans in addition to continued access to insurance capacity.

¹ Example built from public information: Ørsted. [Green Energy for the Planet and Its People: Ørsted Sustainability Report 2021](#). Ørsted, 2022.

² [Climate Transition Pathways principles](#).

Component: Metrics and targets — Business and operational metrics and targets



Example implementation — What resonates with you?



Quantas discloses business and operational metrics with interim targets¹

Commitment:

Quantas aims to achieve net-zero emissions by 2050 and capping net emissions at 2019 levels; in the interim, it aims to reduce net emissions by 25% from 2019 levels by 2030.

Quantas provides detailed business and operational metrics to support its overarching GHG emissions targets. These business and operational metrics apply across a broad range of the company's activities and include interim targets as well. Quantas describes these activities qualitatively:

- 10% blending of sustainable aviation fuel by 2030 and 60% blending by 2050
- 1.5% fuel efficiency improvement, on average, per year through to 2030



HOW do Quantas' business and operational metrics serve to inform their transition plan?

Quantas' quantitative description of the company's activities and interim targets highlight how setting and tracking business and operational metrics can be used to illustrate and develop other aspects of a holistic transition plan, in this case the Activities and decision-making component of the Implementation Strategy theme.

Business and operational metrics allow financial institutions to quantitatively track the progress of Quantas's transition plan — these metrics provide credibility behind the qualitative actions outlined in the activities and decision-making component.

¹ Example built from public information: Quantas, [Quantas Climate Action Group Plan](#), 2021.

Real-economy transition plans: Governance



Governance

The Governance theme outlines how the company is structured to provide oversight, incentivize, and support the implementation of the transition plan.



Transition plan components

Component	Sub-component
Roles, responsibilities, and remuneration	Board oversight and reporting
	Roles and responsibilities
	Incentives and remuneration
Skills and culture	Skills and trainings
	Change management and culture

Existing initiatives covering foundations theme¹

Disclosure and data collection



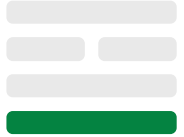
¹ Components of this theme are covered in the existing guidance of these initiatives

Assessment tools



Why do we need the Governance theme?

Governance structures are key mechanisms for holding companies accountable for progress toward their climate objectives and targets.



BEFORE WE BEGIN

Your organization is getting ready to execute on a net-zero commitment and the breadth and depth of work needed requires internal project management controls and structure.

WHAT NEEDS TO BE DONE?

Develop clarity on who is doing what, how progress will be measured, what incentives will be included, and what accountability reporting looks like.

HOW DOES THE IMPLEMENTATION STRATEGY THEME HELP?

The outcome of a transition plan flows from the governance and leadership tone. Identifying senior personnel for specific oversight and implementation **roles and responsibilities**, and linking **remuneration** to achieving progress, sets the right tone and can help ensure appropriate resources are deployed. Embedding the transition within the **skills and culture** across all levels of the company enables long-term execution of the plan.



Roles, responsibilities, and remuneration



Skills and culture

HOW IS THIS USEFUL TO FINANCIAL INSTITUTIONS?

Seeing that a transition plan is underpinned by appropriate roles, responsibilities, and remuneration structures across all levels of an organization demonstrates to financial institutions how the systematic implementation of the transition plan will be upheld and incentivized. Additionally, embedding the transition plan in the overall culture of the organization and fostering the needed skillset among employees can give financial institutions the confidence that the transition plan has received sufficient buy-in among staff to be maintained in the long term.

Governance components



Overview and relevance



1. COMPONENT: Roles, responsibilities, and remuneration

Disclosures provide confidence to financial institutions regarding the level of commitment that a company has to deliver the transition plan within the company's overall strategy (e.g., dedication of senior stakeholders and specific roles for the transition). Disclosure also shows whether appropriate accountability mechanisms are in place (e.g., incentives tied to climate KPIs) and whether the company has a structure that can enable the execution of the transition plan.



2. COMPONENT: Skills and culture

Disclosures provide confidence to financial institutions that the transition is a priority for the company and that the company is embedding the importance of climate change within its core values, setting the right structure to action the transition plan, and investing to develop its teams' knowledge and skills related to climate change.

Component: Roles, responsibilities, and remuneration/ skills and culture



Example implementation — What resonates with you?

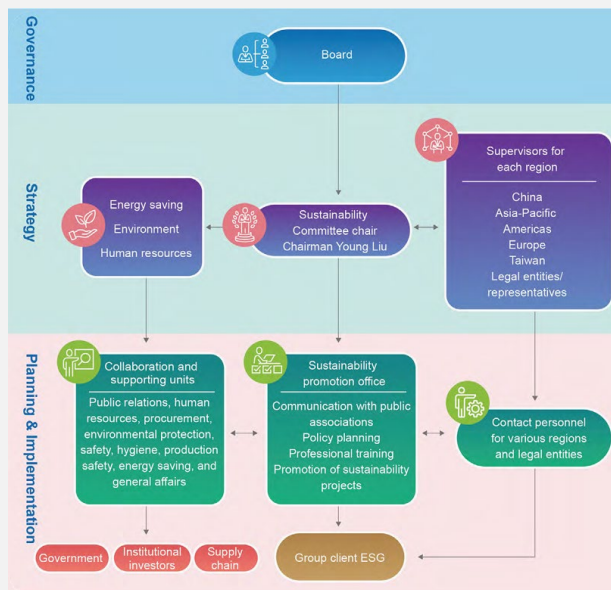


Hon Hai describes management structure for its transition¹

Commitment: Hon Hai has committed to achieve net-zero emissions by 2050 and to use at least 50% green power by 2030.

Hon Hai outlines the management structure in place for overseeing its climate-related activities and transition to net zero. Hon Hai discloses the information under roles, responsibilities, and remuneration and skills and culture, including, for example:

- **board oversight** of the sustainability committee, which is responsible for the climate transition plan;
- **senior management structure** in place, with specific roles and people outlined, including responsibility regionally and collaboration with the teams responsible for implementation; and
- **sustainability promotion office** that provides internal professional training and the promotion of sustainability and climate projects.



HOW does Hon Hai's governance structure support the transition?

Hon Hai discloses the persons, roles, and teams that will oversee and drive forward the transition at governance, strategy and planning, and implementation level, clearly defining the responsibilities of each.

By establishing a sustainability promotion office at the heart of the governance structure, there is central oversight over the incentives, the development of skills, and a general cultural shift in favor of the transition objectives.

¹ Example built from public information: Hon Hai, [2021 Hon Hai Sustainability Report](#), 2021, and "Hon Hai Sustainable Operations," 2021.

Questions for discussion and reflection



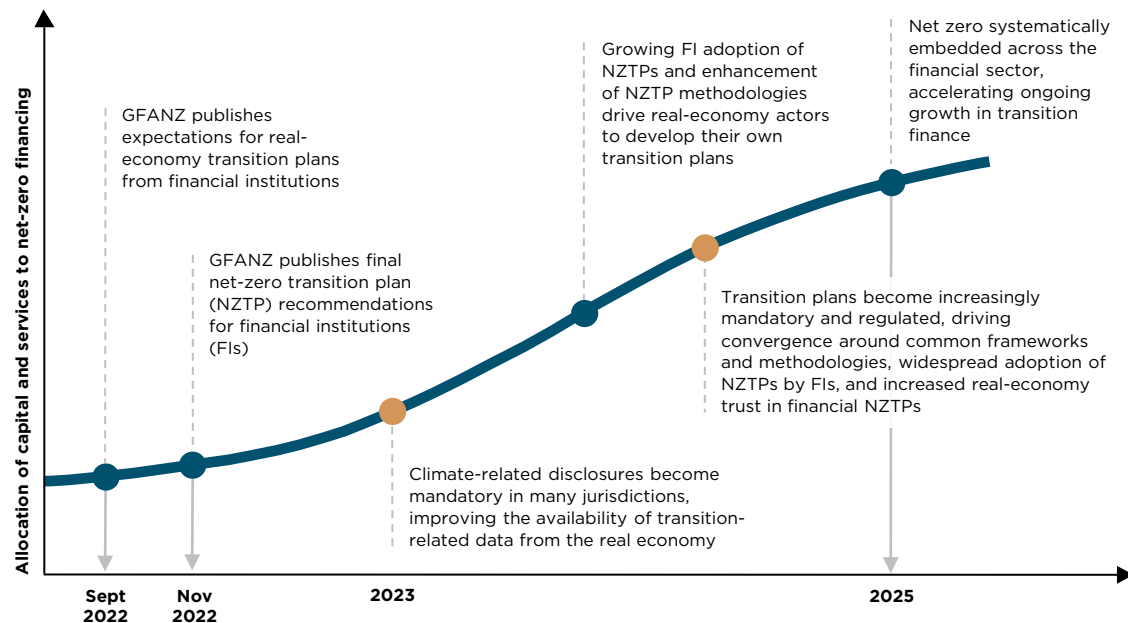
- How can a transition plan help your organization?
- Who would you need to involve in pulling together the Metrics and Targets and Governance of your transition plan?
- Brainstorm possible metrics and targets that could be used to track your transition's progress.

End thoughts



Setting expectations of transition planning

An illustrative timeline of the global adoption of transition planning








Transition plans may take time to develop and then flow through an organization, but it is important and potentially commercially advantageous to get started. Transition plans may also need to be updated as better or new data becomes available or as opportunities develop.

Suggestion for next workshop:
Where to start with the GFANZ NZTP?

... for an overview of the GFANZ NZTP elements and starting points for work on your organization's NZTP.

Other modules and FAQ

Basics	An introduction to net zero, GFANZ, and the NZTP
	Where to start with the GFANZ NZTP?
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Real-economy transition plans	Basics for real-economy transition plans
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	Themes of real-economy transition plans — Part 2 <i>This session</i>
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 Metrics and Targets theme as applied to a real-economy company?

- The Metrics and Targets theme outlines quantitative goals against which to measure the progress and success of a company's transition plan implementation over time.
- Both targets and metrics provide credibility and clarity of real-world action when companies communicate their transition strategy to internal and external stakeholders.
- The Metrics and Targets theme has only one component: Metrics and targets.



What sub-components of metrics and targets could be considered and how do they inform an overall transition plan?

- Various sub-components could be considered under Metrics and Targets for a real-economy company's transition plan:
 - GHG emissions metrics
 - Sectoral pathways
 - Carbon credits
 - Business and operational metrics
 - Financial metrics
 - Nature-based metrics
 - Governance metrics
- Metrics and Targets can be used to inform various aspects of a transition plan, keeping the transition on track. For example, governance metrics could be used to reflect progress on training of staff and business and operational metrics help to inform the Implementation Strategy.

What is outlined in the Governance theme and what are its two components?

- The Governance theme outlines how the company is structured to provide oversight, to incentivize, and to support the implementation of the transition plan.
- Governance structures are key mechanisms for holding companies accountable for progress toward their climate objectives and targets.
- The Governance theme has two components:
 - Roles, responsibilities, and remuneration
 - Skills and culture



