

THE GLASGOW FINANCIAL
ALLIANCE FOR NET ZERO

2022 Progress Report



GFANZ

Glasgow Financial Alliance for Net Zero

Acknowledgments

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Members of the seven financial sector-specific net-zero alliances comprising GFANZ have signed up to the ambitious commitments of their respective sector-specific alliances and are not automatically expected to adopt the principles and frameworks communicated within this report, 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.

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Foreword from the Co-Chairs



Mike Bloomberg

Co-Chair, GFANZ and UN Special Envoy
for Climate Ambition and Solutions



Mark Carney

Co-Chair, GFANZ and UN Special Envoy
for Climate Action and Finance

The many failings of our current global energy system have been put on display over the last year. Fossil fuels have been used as a weapon in an unjust war, making it abundantly clear how unreliable, unaffordable, and unsustainable our current system is. Meanwhile, reliance on those fossil fuels continues to accelerate the climate crisis and the extreme weather it is contributing to, with record-setting floods, wildfires, droughts, and hurricanes wreaking havoc around the world. Our planet's average temperature is already 1.1 degrees C warmer than pre-industrial levels, and the last seven years have been the warmest on record. We must speed up the shift to clean energy to support both a stable climate and a thriving, inclusive global economy.

Realizing this goal, and meeting the objective of the Paris Agreement to limit global warming to 1.5 degrees C, requires immediate, decisive, and collaborative action across financial institutions, companies, and other stakeholders. The scale of capital needed for the transition is significant. For example, the International Energy Agency's net-zero emissions scenario requires annual clean energy

investment to triple by 2030. To limit warming to 1.5 degrees C, clean energy investment will need to run at four times the rate of fossil fuel investment, at minimum, by the end of the decade.

The Glasgow Financial Alliance for Net Zero (GFANZ) was founded to mobilize the entire financial sector around a common goal: achieving the investment levels required for a transition to net-zero. GFANZ provides a forum for the financial community to engage with global experts from the scientific community, the public sector, and civil society to develop the global tools, data, and methods needed to turn their commitments for 2030 and beyond into near-term action.

GFANZ's work aims to provide financial institutions with the guidance they need to drive the transition to net-zero emissions. Central to our work is helping them develop credible "net-zero transition plans" that specify their goals, strategic actions, and accountability mechanisms — and guide them as they seek to realign their portfolios and manage the phaseout of high-emitting assets.

Recognizing that the transition must be globally inclusive, we have created regional networks to ensure that a broad array of perspectives and expertise are reflected in GFANZ’s work. In 2022, for instance, we launched networks in Africa and Asia Pacific, and we plan to launch a Latin America network in early 2023. We have also created working groups and research efforts to support Country Platforms and Just Energy Transition Partnerships, which aim to finance the phasing out of coal and scaling up of clean energy in specific countries, beginning with Indonesia, Viet Nam, and Egypt.

The effects of our work will be limited if we cannot track progress, which is why we support the efforts of the Climate Data Steering Committee (CDSC) to increase accessibility of emissions and target data

through a new open and publicly accessible data utility. The CDSC was launched this year to make recommendations on the scope and governance of a Net-Zero Data Public Utility, and we look forward to the development and launch of the pilot open data utility in 2023.

While there is much work ahead, significant progress has been made in mobilizing the financial sector to make voluntary, ambitious, science-aligned commitments in support of net zero — and developing the tools and guidance they need to operationalize their commitments. GFANZ and the sector-specific alliances will continue to work together to support members in translating their commitments into action in 2023.



Mike Bloomberg, Co-Chair, GFANZ
and UN Special Envoy for Climate
Ambition and Solutions



Mark Carney, Co-Chair, GFANZ
and UN Special Envoy for Climate
Action and Finance

Foreword from the Principals Group

The latest report from the Intergovernmental Panel on Climate Change (IPCC) underscores the imminent threat that climate change poses to humanity and the global economy. The science is clear: without immediate and deep emissions reductions, limiting global warming to 1.5 degrees C to avoid the most catastrophic impacts of climate change will be impossible.¹ The financial and economic risks posed by climate change and the measures necessary to mitigate it are readily apparent.

The investment needed to enable the real-economy transition is sizable. Estimates indicate that by the end of the decade an additional \$1 trillion per annum will be required for clean energy investment in emerging markets and developing economies alone to put the world on track to reach net zero by 2050. This reflects a sevenfold increase from today's levels, even before considering climate finance needs in other countries and sectors, such as agriculture and manufacturing, and the requirements for building resilience and adapting to the impacts of climate change that we are already experiencing.²

Despite ongoing economic turmoil — exacerbated by the Russian invasion of Ukraine and resulting energy market challenges — the importance of securing an orderly transition and rapidly scaling renewable energy to replace fossil fuels has never been clearer. In fact, current energy market challenges only highlight the urgent need to move

rapidly to a new system that supports both climate stability and a thriving, inclusive economy with reliable access to affordable energy sources.

Investment of this scale requires the mobilization of the entire financial system. Fortunately, firms across the financial sector have recognized the pivotal role that financial institutions should play in supporting their clients and portfolio companies as they transition to net zero. GFANZ is a global coalition of seven sector-specific alliances, representing over 550 signatories across more than 50 jurisdictions, who have voluntarily made ambitious science-based, sector-specific commitments in support of net zero, the key to addressing the financial and economic risks and opportunities in the transition. We are encouraged by the ongoing progress of the alliance members, with over 310* interim targets established³ and many more on track to publish their interim targets in line with their alliance commitments.⁴

As the GFANZ Principals Group, we are collectively responsible for setting the strategic direction and priorities of GFANZ as well as monitoring progress. In this 2022 Progress Report, we are pleased to highlight the ambitious program of work on which GFANZ has executed in the last year to provide the financial sector the voluntary tools needed to translate net-zero commitments into action, with a focus on driving real-world emissions reductions, to be implemented by each financial institution according to its role and business model.

*Updated as of 9 November 2022

1 [IPCC WGIII, Climate Change 2022: Mitigation of Climate Change](#).

2 [Financing clean energy transitions in emerging and developing economies, IEA, 2021](#). Reflects the clean energy investment required by the end of the decade within EM&DEs if the world is to meet net-zero by 2050. Estimates exclude China.

3 As of 9 November 2022 across the Net-Zero Asset Owner Alliance (NZAOA), the Net-Zero Banking Alliance (NZBA), the Paris Aligned Asset Owners (PAAO), and the Net Zero Asset Managers initiative (NZAM).

4 Many members have segmented and/or refined their interim targets to add further clarity. For example, over 40% of PAAO members with interim targets have set a goal to increase the percentage of AUM invested in assets that are aligned or aligning to a net-zero pathway, with almost all committed to increasing investment in climate solutions; For NZAOA, the total AUM under sub-portfolio targets doubled in 2022 from \$1.5 trillion to \$3.3 trillion.

Our practitioner-led workstreams worked in partnership with civil society organizations to produce a series of publications and resources across three pillars of work:⁵

- **Net-zero Transition Plans:** We developed a set of voluntary recommendations and frameworks to support financial institutions' efforts to finance and enable the transition to net zero. This work⁶ provides a suggested approach to credible net-zero transition planning, necessary to translate commitments into action. With these resources, financial institutions can demonstrate accountability for their net zero targets, phaseout stranded assets, capitalize on emerging opportunities, and reduce the risk to their business and to society of a disorderly⁷ transition.
- **Mobilization of Capital to Emerging Markets & Developing Economies (EM&DEs):** GFANZ has worked to develop and support both top-down and bottom-up initiatives to scale financing in EM&DEs' just transitions. We are supporting efforts of the G7 and G20 to launch and scale Just Energy Transition Partnerships (JETPs) and have outlined, via our Private Sector Statement on Country Platforms, considerations to ensure these efforts unlock private capital at scale. In support of a truly global transition, we have launched regional networks in Africa and Asia Pacific and are working to unlock country-focused mobilization solutions through

collaboration with the CFLI India and CFLI Colombia Country Pilots.⁸ GFANZ will continue to work with stakeholders to create the right conditions for increased investment.

- **Net-zero Public Policy:** GFANZ's 2021 *Call to Action* outlined a series of policy recommendations to help build a net-zero economy and meet the goals of the Paris Agreement. Action by financial institutions, while critical, cannot substitute for action by government and certain responsibilities cannot be shifted to finance. We continue to advocate for the wider reforms needed to align the financial system to net zero while ensuring an orderly and just transition. Ahead of COP 27, we released a report, *Call to Action: One Year On*, that outlines the progress made against the key policy levers over the past year and offers specific recommendations to embed net-zero transition planning in global regulation.

Across our entire work program, we recognize the importance of ensuring transparency and accountability. We are proud to support the efforts of the new Climate Data Steering Committee, announced by President Macron and UN Special Envoy Mike Bloomberg, that will seek to minimize barriers to enabling public access to climate transition-related data. This public utility will aim to enhance efforts to track progress and promote the credibility of commitments.

⁵ These publications and developments are outlined in further detail in Section 4 of this Progress Report.

⁶ Financial Institution Net-zero Transition Plans; Guidance on Use of Sectoral Pathways for Financial Institutions; Real-economy Transition Plans; Measuring Portfolio Alignment: Driving Enhancement, Convergence, and Adoption; Managed Phaseout of High-emitting Assets. All reports can be found on [here](#).

⁷ 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.

⁸ CFLI Country Pilots are managed independently by CFLI and subject to their own governance structures.

We are excited by the considerable progress GFANZ has achieved in the past year and recognize that there is much more to be done. With ambitious action, guided by best-practice tools and methodologies and supported by clear policy signals from governments, we believe the

financial sector can help enable an orderly, real-economy transition to net zero. We will continue to work with peers and stakeholders across the public, private, scientific, and non-profit sectors to deliver on our commitment to accelerate the transition toward a net-zero global economy.

Principals Group Members

Oliver Bäte, Chief Executive Officer, Allianz

Amanda Blanc, Group Chief Executive Officer, Aviva

David Blood, Senior Partner, Generation Investment Management

Thomas Buberl, Chief Executive Officer, AXA

Ana Botín, Executive Chairman, Santander

Loh Boon Chye, Chief Executive Officer, Singapore Exchange

Larry Fink, Chairman and Chief Executive Officer, BlackRock

Jane Fraser, Chief Executive Officer, Citigroup

Nili Gilbert, Board Member and Chair of Investment Committee, David Rockefeller Fund

Seiji Inagaki, President, Dai-ichi Life Insurance

Jon Johnsen, Chief Executive Officer, PKA

Brian Moynihan, Chair of the Board and Chief Executive Officer, Bank of America

Paul Russo, Chief Executive Officer/Managing Director, KCB Group

Noel Quinn, Group Chief Executive, HSBC

Alison Rose, Chief Executive, NatWest Group

David Schwimmer, Chief Executive Officer, London Stock Exchange Group

Michelle Scrimgeour, Chief Executive Officer, Legal & General Investment Management

Juan Carlos Mora Uribe, Chief Executive Officer, Bancolombia

Shemara Wikramanayake, Managing Director and Chief Executive Officer, Macquarie

Bill Winters, Chief Executive Officer, Standard Chartered

Statement from the Advisory Panel Chair



Nili Gilbert

Board Member, Chair of Investment Committee,
David Rockefeller Fund

We are living through times of unprecedented uncertainty. From a slowing economic recovery, increasing instances of natural disasters made worse by climate change, to the ongoing energy crisis spurred by the Russian-Ukrainian conflict, the last year was marked by unpredictability and volatility. Yet amid this uncertainty, the message from science remains the same: based on current pathways and trajectories, the window to take action and avoid the most severe impacts of climate change is narrowing. The urgency and importance for the finance sector to mobilize capital and catalyze an inclusive and equitable transition to net zero has never been greater.

Since COP 26, our members have continued to make progress towards their net-zero pledges, transforming commitments into action. To support this endeavor, GFANZ has released a series of publications and resources that provide needed rigor and clarity around the implementation of net-zero commitments, and build a bridge between net-zero science and the private financial system. These resources outline key components

of and approaches to credible net-zero transition planning and identify action steps that are in true furtherance to net zero. Real-world case studies illustrating implementation by financial institutions bring all of this to life, serving as examples to others to take action.

The GFANZ 2022 work product is only a starting point. We must continue to act. In this pivotal moment as we confront the immense challenges ahead, leadership is the most important tool we have on our side.

In this light, I want to express deep gratitude to my fellow GFANZ Advisory Panel members, leaders with decades of experience in climate finance thinking and practice, who have worked tirelessly to review GFANZ work products and inform the Secretariat's activities and engagement this year. The Advisory Panel members led with great integrity, applying rigorous skepticism and engaging in serious professional debate to ensure the work reflects not only the ambitions but also the realities of the difficult challenges ahead.

Our conversations have been characterized by great humanity in a time of geopolitical strife, deepening inequality and food and energy insecurity, and macro-economic pressures. Throughout, we have kept a clear-eyed focus on critical topics like fossil fuel phaseout, just transition, and the need to scale new and innovative climate solutions even as we decarbonize the old.

These efforts will continue. You will see that our work points to many areas for further elaboration. Looking ahead, net-zero implementation for the finance sector will mean continuing to progress from top-down frameworks to bottom-up implementation; it will require an understanding of sector-specific, country-specific, and

community-specific needs; and it will require all of us to maintain an enduring appreciation of the connectivity among our goals for sustainable development.

Frameworks and standards will light the path, but in the face of adversity and uncertainty, it is leadership that will inspire action, shape the course forward, and encourage us to take the necessary steps as we confront one of the greatest challenges of our times. I'm inspired by the ambition of the collective, the courage of leaders, and the momentum of progress achieved to date. I look forward to what we can accomplish together as a global community toward a net-zero future.



Nili Gilbert, Board Member,
Chair of Investment Committee,
David Rockefeller Fund

Introduction



1. BACKGROUND AND OVERVIEW

The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to mainstreaming the decarbonization of the global economy to reach net-zero emissions by 2050. Since its inception in April 2021, and through its practitioner-led work, drawing also on a network of climate experts and civil society organizations from around the world, GFANZ has worked to develop the tools and methodologies needed to turn financial institutions' net-zero commitments into action, drawing on and amplifying the enormously valuable work of the many organizations that have driven climate action for years.

This report highlights the significant progress and accomplishments of GFANZ to date.

Overview of GFANZ

GFANZ was launched in April 2021 by Mark Carney, UN Special Envoy for Climate Action and Finance, in collaboration with the United Nations Framework Convention on Climate Change (UNFCCC) and the COP 26 Presidency.

At COP 26, it was announced that Michael R. Bloomberg, UN Special Envoy for Climate Ambition and Solutions, would join Mark as Co-Chair of GFANZ. Mary Schapiro, former SEC Chairman and Head of the Secretariat for the Task Force on Climate-related Financial Disclosures (TCFD), was announced as the Vice Chair.

Ambition and Commitments

GFANZ and the seven financial sector-specific net-zero alliances (the Alliances)⁹ are dedicated to the vital role of the financial sector in supporting the global transition to net zero. The Alliances comprise over 550 financial institutions from a diverse range of 50 countries. By their own initiative, all GFANZ alliance members have made ambitious science-based commitments to support the transition to net zero.

The overarching goal of the Alliances is to achieve net zero emissions by 2050 at the latest to support the global ambition to limit warming to 1.5 degrees C. To that end, the members of each alliance also set interim science-based targets for 2025 or 2030 reflecting maximum effort toward a fair share of the 50% global reduction in GHG emissions needed by 2030. As this document shows, these individual commitments are already being implemented. The Alliances are partners of the Race to Zero, which has approved each alliance's ambitious criteria.

These voluntary commitments and actions collectively represent huge scale and high ambition. But, while finance can support the transition to net zero, it cannot alone ensure its success. Finance is a catalyst, an enabler of the plans and actions in the real economy. Achieving the goals of the Paris Agreement requires both ambitious, credible, and detailed public policies, and the drive and initiatives of entrepreneurs and businesses.¹⁰

⁹ The alliances have common baseline commitments augmented by some sector specificity. See: [Net Zero Asset Managers initiative](#) (NZAM), [Net-Zero Asset Owner Alliance](#) (NZAOA), [Net-Zero Banking Alliance](#) (NZBA), [Net Zero Financial Service Providers Alliance](#) (NZFSPA), the [Net-Zero Insurance Alliance](#) (NZIA), the [Net Zero Investment Consultants Initiative](#) (NZICI), and [Paris Aligned Asset Owners](#) (PAAO). GFANZ acknowledges that net-zero transition plans will vary by institution and jurisdiction and will depend on the individual characteristics of financial institutions, including size, business model, sector coverage, fiduciary duty toward their clients, and other factors.

¹⁰ GFANZ's 2021 [Call to Action](#) urged G20 governments to draw on five broad policy levers to deliver on the goals of the Paris Agreement. These levers represent essential components for government transition planning. At COP 27 GFANZ reiterated and expanded upon its call on G20 governments to act with urgency because while the world has changed in 2022, the realities of climate physics and the global carbon budget have not.

GFANZ supports the Alliances by acting as a forum for addressing pan-financial sector challenges associated with the net-zero transition. It also facilitates collaboration between the financial community and experts from the scientific community, the official sector, and civil society to develop the necessary tools, data, and methodologies to implement net zero commitments. In these ways, GFANZ supports high levels of ambition and credible climate actions.

Governance and Structure

The Alliance signatories include systemically important, highly regulated, and intensely supervised financial entities. The members of each alliance operate in a diverse range of economies and financial systems spanning the developed, emerging and developing world. They must fulfill extensive supervisory, regulatory and legal obligations, and respect their responsibilities to their regulators, employees, customers, and shareholders. As a result, the Alliances' governance structures and the firms' individual commitments must recognize these obligations and operate in compliance with all legal and professional responsibilities.

It is therefore important to recognize that the Alliances within GFANZ are independent initiatives subject only to their individual governance structures. Signatories' adherence to the criteria of the Alliances is supported by the distinct governance and accountability frameworks of each alliance. The Alliances have the sole responsibility for managing these, as well as for any changes to their membership criteria.

Going forward, the Alliances will continue to evaluate and update their membership criteria, as and when the science, technology, and policy contexts evolve, in a manner that is consistent with the diverse economic, legal, and regulatory contexts in which the signatories operate. In doing

so, the Alliances will take note of the advice and guidance of the UN Climate Change High Level Champions and the Race to Zero as well as relevant international bodies including the UNFCCC, IPCC, IEA, the G20 and its Sustainable Finance Working Group, the G20's Financial Stability Board, the Network for Greening the Financial System, and the UN's High Level Expert Group on Net Zero. GFANZ and the Alliances will continue to engage regularly with these bodies.

To support the role of the Alliances in governing the accountability of signatories' adherence to their criteria and commitments, GFANZ is supporting the work of the Climate Data Steering Committee in making recommendations for the design and development of an open-data utility, the Net-Zero Data Public Utility (NZDPU). It is anticipated that a pilot of this utility will be up and running by the end of next fall, promoting unprecedented transparency on the net zero transition with support from financial data providers, governments, and international organizations. This purpose of this initiative is to address data gaps, inconsistencies, and inaccessibility that slow climate action, providing climate transition-related data, including financed emissions, targets and performance against targets, openly available in a single place for the first time and provide accurate, trusted, and verifiable data. The intention is the NZDPU will ultimately be housed in the UNFCCC.

As GFANZ moves to a more technically oriented phase of work, focused on implementation and action, it is appropriate to update its governance structure. GFANZ is governed by a Principals Group that consists of representatives of alliance signatories from global firms from all sectors and regions and is chaired by the UN Secretary General's Special Climate Envoys Mike Bloomberg and Mark Carney, who report on the work of GFANZ to the United Nations Secretary General.

To further enhance GFANZ connectivity to the UN, UN representative(s) will be added to the Principals Group. To strengthen our regional engagement and implementation, the Chairs of the APAC and Africa Network Advisory Boards — High Level Champion Mahmoud Mohieldin and Network for Greening the Financial System (NGFS) Chair Ravi Menon will join the Principals group. Nili Gilbert will continue to Chair the GFANZ Advisory Panel of climate experts from NGOs, academia, and civil society that provides valuable expertise and challenge on the work and output of GFANZ.

Progress and Momentum

GFANZ and the Alliances' initiatives this year to increase its inclusiveness is building global momentum in net zero finance, despite significant geopolitical and economic headwinds. Since launching in April last year with 160 members, Alliance membership grew to 450 by COP 26 and has now grown to over 550 members from 50 jurisdictions. That momentum is greater still in implementation. All 160 founding members were required by their sub-sector alliance to set interim targets by COP 27. Already, institutions have established over 310* science-based interim targets. Moreover, at the start of 2021, not a single bank had set a science-based sectoral 2030 target that included their financed emissions. In April 2022, 43 founding members of NZBA had committed to do so by COP 27, today 61* banks have already done so, using science based 1.5 degrees scenarios with no or low overshoot, with many setting targets ahead of schedule. This substantial progress is a clear sign that, while there is much work ahead, the hard work of implementing these commitments is well underway. This is further demonstrated by the action plans and near-term targets of individual members, as well as the ambitious workplans of GFANZ and the Alliances to support further implementation and impact.

*Updated as of 9 November 2022

These targets form the backbone of transition plans, the bedrock of a 1.5-aligned economy. GFANZ members have spent this year developing pan-sectoral recommendations and guidance on financial institution net-zero transition planning. The current challenges in global energy markets, significantly exacerbated by the Russian invasion of Ukraine, have highlighted the complexity and the imperative of securing an orderly transition. In a world committed to net zero, transition plans are strategic plans supporting every aspect of how a company functions — from operations to capital allocation to governance. The framework makes clear that transition finance should drive decarbonization in the real economy, not just in financial portfolios. To that end, GFANZ has identified the four key transition financing strategies for how institutions can finance the transition, including the financing of: climate solutions; companies that are aligned with science based pathways; companies that are aligning with a science based pathway; and the managed phaseout of high-emitting assets at risk of stranding in the transition. This transition plan guidance for financial institutions sits alongside transition planning guidance for real-economy firms, guidance on portfolio alignment metrics, work to enhance the deployment of net zero sectoral pathways, and a holistic workplan to increase capital mobilization to emerging markets and developing countries, including supporting the development of country platforms and new Just Energy Transition Partnerships.

Stakeholders will be able to track corporates and financial institution's climate progress including gaps between their metrics and targets (using SBTi, IEA, and other third-party pathways as guides). By comparing a financial institution with its peers, stakeholders can assess the extent to which that gap is idiosyncratic — due to the institution itself — or general — the product of broader factors beyond

the institution's control, such as its legal or regulatory environment, or inadequate country climate policies or enabling environments. Climate laggards can be called out, and strong performers will be supported. In this regard, the scale and coverage of GFANZ will help to drive accountability: with around 40% of global private financial assets within GFANZ, and a comprehensive and diverse range of actors in many sectors and geographies, robust peer comparison will be possible.

In short, we must both mind the gap and understand why it exists. To the extent it is due to inadequate country climate policies (and we know the gap between the stated policies of countries and the 1.5-degrees C objective is equivalent to a full degree C of additional warming)¹¹, the GFANZ framework will provide a powerful, real-time feedback mechanism to governments and civil society on what more needs to be done.

The work of GFANZ starts with commitments, hinges on operationalization, builds to action, and depends on accountability. GFANZ and the alliances will continue to work together to support members turning commitments into action. This report is a summary of the ambitious and comprehensive workplans underway within GFANZ and the Alliances, and the progress made since COP 26. This has been an intense, collaborative effort led by practitioners and supported by experts from finance, science, academia, business, the official sector, and civil society.

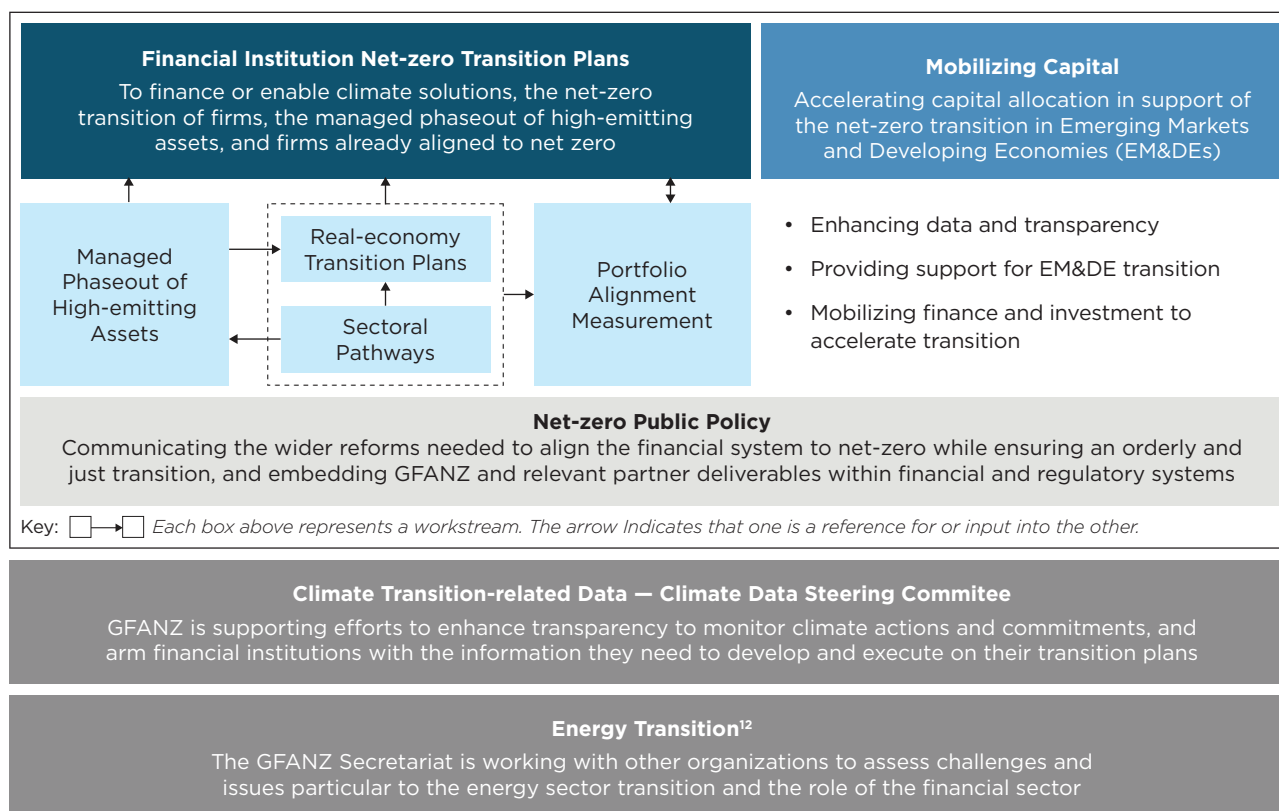
Overview of the GFANZ 2022 Work Program

The GFANZ Principals Group established an ambitious program of work in 2021 to drive the commitment, engagement, investment, and alignment required to transition the financial system and global economy to net zero based on credible, science-based, pan-sector standards and guidance.

The ambition is to keep pushing for upward convergence, refining our practitioner-led work program in collaboration with NGOs, industry bodies, and governments to transform the global financial system to meet the greatest challenge of our age. To that effect, at the start of 2022, GFANZ further refined the program of work to deliver on our priorities, organized around three core pillars and two additional initiatives.

The recommendations and guidance provided by the GFANZ work program are voluntary and take into account related efforts from the sector-specific net-zero alliances and their associated networks. GFANZ hopes that its work will assist policymakers, regulators, and standard-setters as they produce rules and guidance around net-zero transition plans, establish economy-wide targets, and align financial architecture to enable delivery of net zero across the globe.

¹¹ Based on Climate Action Tracker, Mid-year update (June 2022), which indicates current policies and actions are consistent with 2.5-2.9C warming by 2100. This update does not include the impact from the US Inflation Reduction Act and EU RePowerEU plans.



Net-zero Transition Plans — a common, pan-sector framework for credible net-zero transition planning

GFANZ has developed a voluntary set of recommendations and guidance for financial institutions — including, but not limited to, members of the sector-specific alliances — to use when developing and implementing credible, high-ambition strategies for achieving net-zero. The publications provide a common, pan-sector framework to enable credible net-zero transition planning by introducing four key financing strategies to net-zero transition, key components of net-zero transition plans, and

guidance on sectoral pathways, portfolio alignment measurement, and managed phaseout. The suite of tools developed under the 2022 GFANZ work program include the following reports:

- Financial Institution Net-zero Transition Plans¹³
- Guidance on Use of Sectoral Pathways for Financial Institutions
- Expectations for Real-economy Transition Plans
- Measuring Portfolio Alignment: Driving Enhancement, Convergence, and Adoption¹⁴
- The Managed Phaseout of High-emitting Assets

¹² GFANZ uses the term “energy transition” to refer to a net-zero transition in which both private sector 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.

¹³ Draft report released in June 2022 for public consultation; final report published on November 1, 2022.

¹⁴ Draft report released in August 2022 for public consultation; final report published on November 1, 2022.

In addition to supporting financial institutions and real-economy corporates, GFANZ hopes that the set of recommendations will assist policymakers, regulators, and standard-setters as they consider guidance around transition plans.

We are grateful to the hundreds of financial institutions, civil society organizations, policymakers, real-economy firms, and other climate experts from across the globe that have engaged with, and supported, GFANZ throughout the year, including providing invaluable feedback during our consultation processes.

Further details on the reports and resources published can be found in Section 4. The full series of publications can be found on our [website](#).

Mobilizing Capital to EM&DEs — a global approach to net-zero transition

For net-zero transition to be successful, it requires a truly global effort. At COP 26, GFANZ called for new country platforms which deploy blended finance at scale, leveraging private finance at significant multiples and connecting standalone private finance with Nationally Determined Contributions (NDCs). In the past year, GFANZ has worked to mobilize climate finance to support the just transition of EM&DEs to economies with clean, affordable, and accessible energy.

GFANZ is working to increase the mobilization of finance to accelerate the transition of key sectors and deployment of climate solutions in EM&DEs, through greater public-private collaboration in country-focused financing. GFANZ has convened private sector working groups in support of the Indonesia and Viet Nam Just Energy Transition Partnerships (JETPs) and the Nexus of Water, Food, and Energy (NWFE) Country Platform in Egypt. GFANZ has partnered with the Climate Finance Leadership Initiative (CFLI) on Country Pilots to drive locally tailored climate action in support of NDCs

in India and Colombia and supports other catalytic initiatives that have the potential to unlock and scale greater investment in EM&DE climate ambitions.

Recognizing the importance of data and transparency, GFANZ is improving the tracking and understanding of EM&DE financial flows and the enabling environment action that influences them. This work will serve as a foundation to support the future development of architecture to account for climate finance flows to EM&DEs and enable the increase of capital mobilization to these regions.

GFANZ is also providing support for EM&DE implementation of climate-related practices and standards, including through the Africa and Asia Pacific (APAC) regional networks launched in 2022. These networks provide an opportunity to enhance appropriate EM&DE knowledge sharing and capacity building, while providing regional insights and perspectives to GFANZ work. Further details can be found in Sections 4 and 5.

Net-zero Public Policy — ongoing advocacy for credible economy-wide targets, pathways, and supporting policies

In October 2021, GFANZ released a *Call to Action* urging G20 governments to follow through on the commitments of the Paris Agreement and ensure a just transition to a net-zero global economy. GFANZ encouraged governments to lead by global policy frameworks that correct existing market failures and enable action at scale. Doing so will allow the billions of dollars currently invested in climate finance to turn into the trillions of dollars that are required to affect real change. Action by financial institutions, while critical, is no substitute for action by government and certain responsibilities cannot be shifted to finance.

Convergence in consistency and standards is more important now than ever. To that effect, since the publication of the *Call to Action* in the run-up to COP 26 last year, GFANZ has focused

on engaging with key policymakers and standard setters across the globe, particularly around our net-zero transition planning resources. This includes supra-national bodies like the G20 presidency, international standard-setters such as the FSB, and policymakers across G20 governments.

GFANZ published an update to the Call to Action, reflecting on the progress that has been achieved around the world in 2022. GFANZ's 2021 *Call to Action* has set out five broad asks of G20 governments to accelerate the transition to a net-zero economy and meet the goals of the Paris Agreement. One year on, the updated report revisits progress across each ask — which together represent key components for holistic and coherent national government transition plans — and highlights priority policy recommendations. Importantly, the updated report calls for G20 governments to act with increased urgency. Ambitious, credible national government transition plans are needed now if the world is to avoid a disorderly transition. Further details can be found in Section 4.

Climate Data Steering Committee — supporting the development of a Net-Zero Data Public Utility

Data availability and quality remain one of the biggest challenges for financial institutions in the development and implementation of actionable net-zero transition plans. In June 2022, a new Climate Data Steering Committee (CDSC) was announced by President Macron and UN Envoy Mike Bloomberg and brought together international organizations, regulators, policymakers, and data service providers to advise on the creation and design of an open-data public platform that will

collect, aggregate, and standardize net-zero climate transition data based on private sector climate commitments. In September 2022, the CDSC published a whitepaper, Draft Recommendations for the Development of the Net-Zero Data Public Utility, outlining draft recommendations for the development of an open data utility for climate transition-related data: the Net-Zero Data Public Utility (NZDPU). Following a public consultation, the CDSC will publish its final recommendations in November 2022. The CDSC plans to release a pilot version of the NZDPU in the second half of 2023.

GFANZ is supporting the efforts of the CDSC to develop an open-data platform that will bring transparency and accountability to net-zero commitments and support financial institution members in the development and implementation of their net-zero transition plans. Further details on progress made by the Climate Data Steering Committee and the road ahead can be found in Section 6.

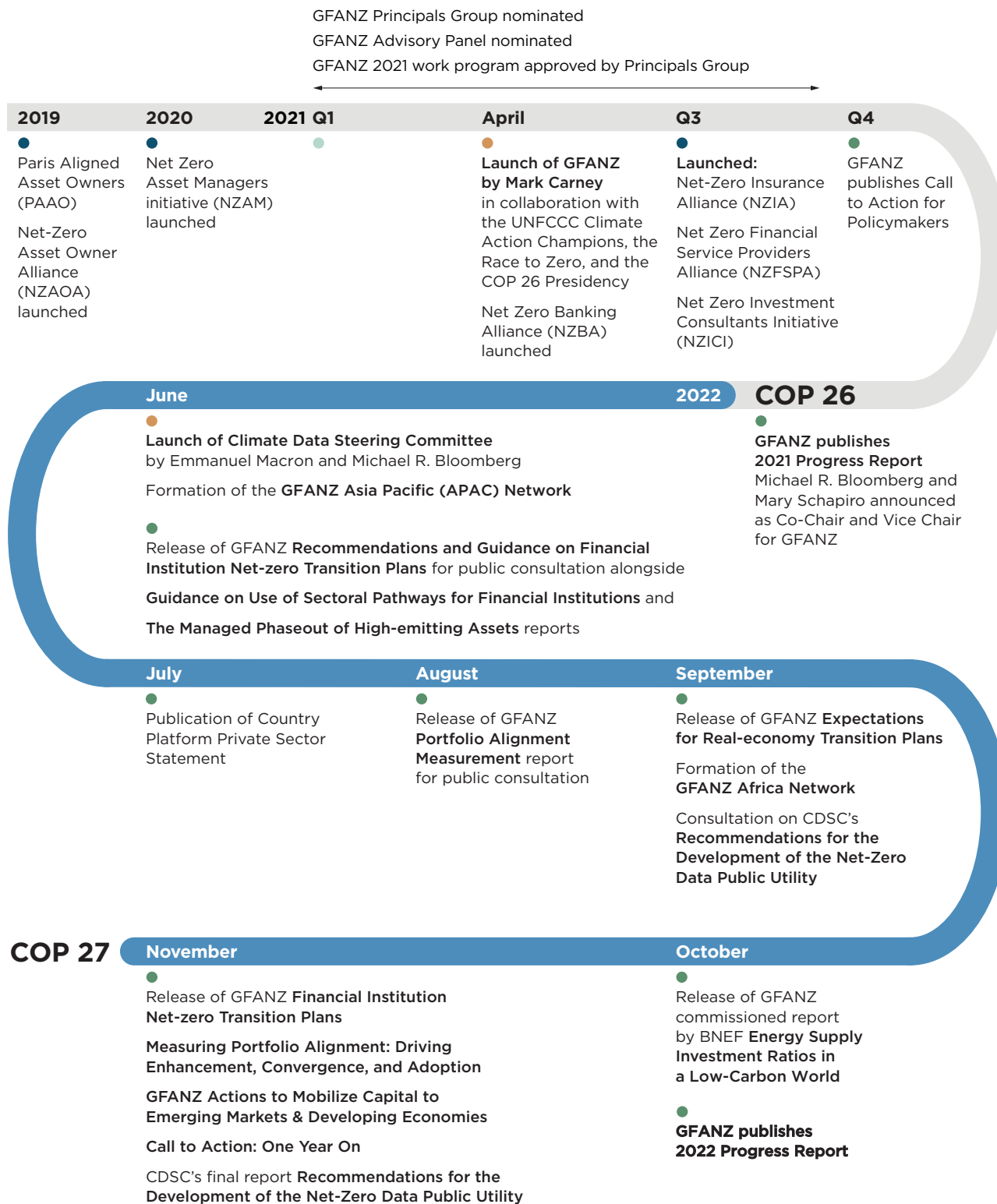
Energy Transition — helping to catalyze the energy transition and accelerate capital investment in clean energy

Significant capital investment in clean energy infrastructure is required for the world to achieve net zero emissions by 2050. Engagement and support from private financial institutions is therefore critical. The GFANZ Secretariat launched an energy transition initiative in 2022 to work with other organizations on providing clarity regarding the unique challenges and opportunities, as well as the role of private finance in the energy transition. Further details on progress of this initiative can be found in Section 7.

KEY UPDATES ON OUR 2022 PROGRESS

Timeline

● Net-zero Alliances ● Governance ● Press Releases ● Publications

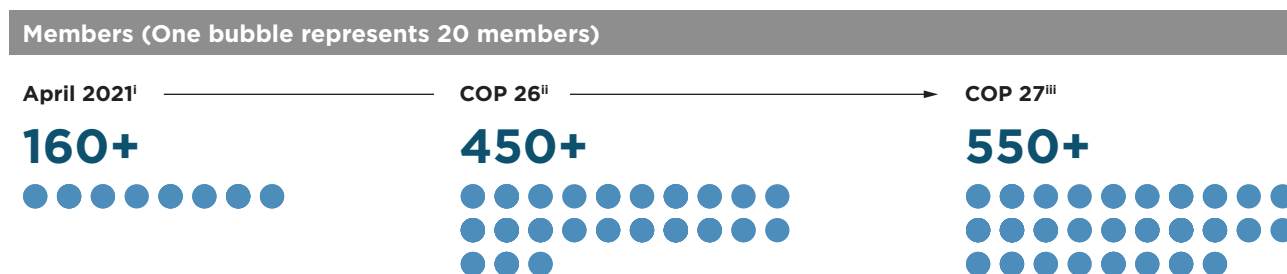


2. 2022 MEMBERSHIP UPDATE

Since launching in April 2021, membership under the sector-specific alliances has more than tripled, with an increasing number of financial institutions from across the industry now being able to formalize their net-zero commitments and get involved through seven dedicated net-zero sector-specific alliances.¹⁵ From 160 firms at launch, there are now over 550 members representing a wide range of sub-sectors, firm sizes, business models, and 50 jurisdictions.

GFANZ is encouraged by the growth and increasing diversity of the alliances' member base, a testament to the ongoing efforts by the alliances over the past year. We look forward to contributing and building on member participation through our engagement and initiatives around the world, including the GFANZ Regional Networks launched this year in Africa and Asia Pacific.

Membership growth



Financial assets ^{iv, v}			
NZAM \$66TN* Assets Under Management	NZBA \$72TN* Financial Assets	NZIA \$0.7TN Gross Written Premiums	PAAO \$3.3TN Assets Under Management
NZAOA \$11TN Assets Under Management	NZFSPA 23 Member Firms	NZICI 10 Member Firms	

i) Membership at the launch of GFANZ, ii) Membership as noted in last year's [GFANZ Progress Report](#), iii) Sourced from Alliance Secretariats on 21 October 2022 and updated as of 9 November 2022 for NZAM, NZBA, PAAO. Financial institutions who are part of multiple alliances were only counted once, iv) Sourced from Alliance Secretariats on 21 October 2022 and updated as of 9 November 2022 for NZAM, NZBA, PAAO; Double-digit integers are rounded up to nearest integer. Overlap possible as any given financial institution may be part of more than one alliance, v) alliances which do not report on financial assets have been represented by their member count.

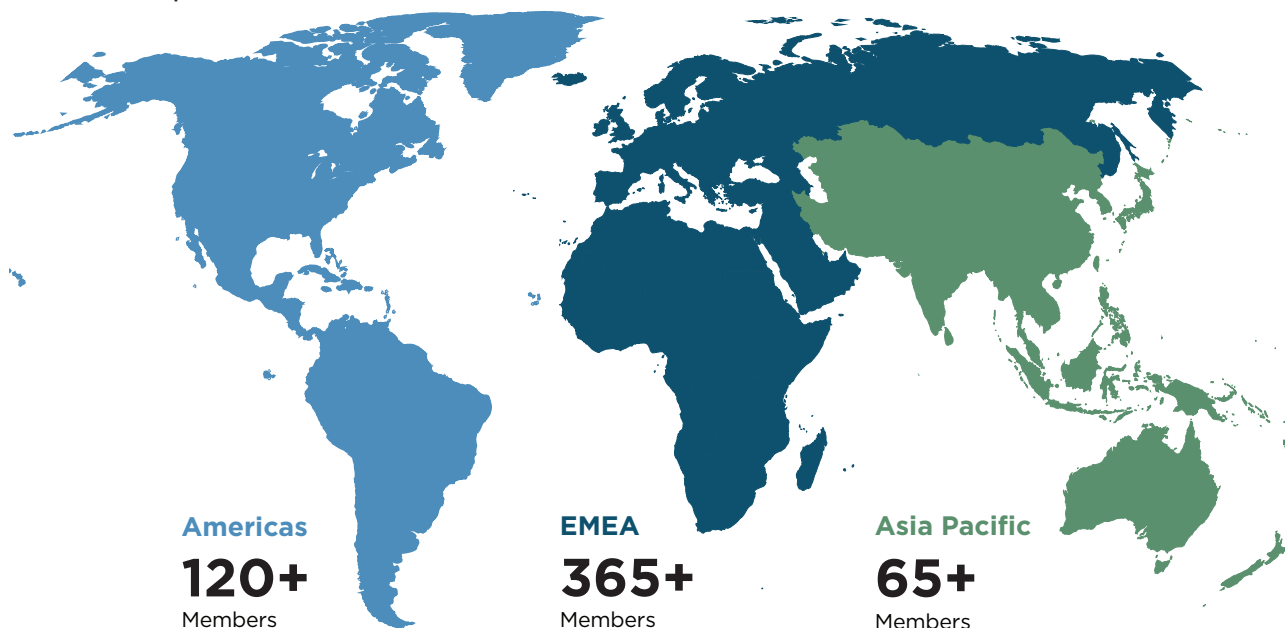
* Updated as of 9 November 2022.

15 The alliances are the Net Zero Asset Managers initiative (NZAM), the Net Zero Asset Owner Alliance (NZAOA), the Net Zero Banking Alliance (NZBA), the Net Zero Financial Service Providers Alliance (NZFSPA), the Net Zero Insurance Alliance (NZIA), the Net Zero Investment Consultants Initiative (NZICI), and the Paris Aligned Asset Owners (PAAO).

Geographical breakdownⁱ

Total members: 550+

Jurisdictions represented: 50



Net Zero Alliances (Membership breakdownⁱⁱ)



Sources:

- i. Alliance Secretariats, as of 21 October 2022. Financial institutions who are part of multiple alliances were only counted once.
- ii. Alliance Secretariats as of 21 October 2022 and updated as of 9 November 2022 for NZAM, NZBA, PAAO. Overlap possible as any given financial institution may be part of more than one Alliance.

* Updated as of 9 November 2022. NZAM member count was adjusted for consolidation of related entities.

From commitment to action

To translate net-zero commitments into action, alliance members¹⁶ commit to setting interim targets consistent with a fair share of the 50% global reduction in greenhouse gas (GHG) emissions by 2030.¹⁷ Alliance members are expected

to disclose their initial interim targets within a timeframe specified by each alliance¹⁸ and review this on a regular basis with a view to increasing the proportion of client and portfolio company financed emissions covered by targets to 100%, if possible.

¹⁶ Financial Institutions may become signatories to multiple net-zero sector-specific alliances to cover different parts of their business. For example, an insurer may become a signatory to NZIA (to cover its insured emissions), NZAOA or PAAO (to cover its assets/portfolio companies), and NZAM where it has a captive asset management business that manages those assets.

¹⁷ The Net Zero Asset Owners Alliance also requires a short-term interim target for 2025.

¹⁸ Banks who are members of the Net Zero Banking Alliance have 18 months from joining. Members from all other alliances have 12 months from joining.

An important feature amongst GFANZ and the sector-specific alliances is the support of public disclosure and transparency. Many financial institutions are now publicly disclosing their interim targets (or their plans on setting interim targets).

As of 9 November 2022, over 310* financial institutions¹⁹ from across the Net Zero Asset Managers initiative (NZAM), the Net Zero Asset Owner Alliance (NZAOA), the Net Zero Banking Alliance (NZBA), and the Paris Aligned Asset Owners (PAAO) have set interim targets. At the time of writing, the Net Zero Insurance Alliance (NZIA), the Net Zero Investment Consultants

Initiative (NZICI), and the Net Zero Financial Service Providers Alliance (NZFSPA) are in the process of developing and/or operationalizing target-setting guidance tailored to their respective industries, with many more members in the process of establishing initial interim targets.

GFANZ is encouraged by the progress made to date and expects to see accelerated progress across members in establishing interim targets and taking critical steps towards implementation of those targets over the coming years.

*Updated as of 9 November 2022

Interim target setting *(updated as of 9 November 2022)*

SIGNATORIES OF SECTOR-SPECIFIC ALLIANCES WHO HAVE ISSUED INTERIM TARGETS ⁱ (# and % of total members per alliance as of 9 November 2022)			
Net Zero Asset Managers initiative	Net Zero Asset Owners Alliance	Net Zero Banking Alliance	Paris Aligned Asset Owners
169 (58%)	44 (57%)	61 (50%)	40 (70%)

SECTOR-SPECIFIC ALLIANCES WHO ARE DEVELOPING AND/OR OPERATIONALIZING TARGET SETTING GUIDANCE

Net Zero Insurance Alliance
Net Zero Investment Consultants Initiative
Net Zero Financial Service Providers Alliance

i) Overlap possible as any given financial institution may be part of more than one Alliance.

¹⁹ Information and data from individual alliances included in this report is based on input from each alliance and/or its secretariat and was not independently reviewed or verified by any other alliance or the GFANZ Secretariat. Overlap between alliances possible.

3. NET-ZERO FINANCIAL SECTOR-SPECIFIC ALLIANCES PROGRESS UPDATE

The net-zero, sector-specific alliances have made significant progress over the past year, maintaining momentum in the membership growth and supporting their members in turning their net-zero commitments into action.²⁰

The alliances and their partner networks have also produced sector-specific member guidance to support their signatories' transition planning efforts including, but not limited to: reporting net-zero targets, engagement and stewardship, treatment of carbon offsets, the development of new target-setting methodologies, pathway-specific target setting guidance, and more.

The remainder of this section is dedicated to the progress of each alliance and their members as of 21 October 2022. The NZAM, NZBA, and PAAO sections were updated as of 9 November 2022. Information and data from individual alliances included in this report is based on input from each alliance and/or its secretariat and was not independently reviewed or verified by any other alliance or the GFANZ Secretariat.²¹

Net Zero Asset Managers (NZAM) initiative

Updated as of 9 November 2022

Introduction

The Net Zero Asset Managers initiative (NZAM) is a global group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees C. It launched in December 2020 with 30 signatories and is convened by six investor networks — AIGCC, CDP, Ceres, IIGCC, and PRI.

As of 9 November 2022, NZAM has 291 signatories who together represent \$66 trillion in financial assets. NZAM signatories must comply with a ten-point commitment and, within their first year as a signatory, are required to set an interim target for the proportion of assets to managed be in line with net zero by 2050, consistent with a fair share reduction of the 50% global reductions in emissions by 2030, per the IPCC special report on global warming. Signatories must have an engagement and stewardship strategy which is consistent with their target and commitment. Signatories must also share the methodology that they have used in setting their targets. As part of their commitment, asset managers must prioritize real-economy emissions reductions, set targets based on their Scope 3 emissions (portfolio company Scopes 1, 2, and where material and possible, 3), facilitate increased investment in climate solutions, and create investment products that align with net zero. NZAM signatories agree to only use offsets that involve long-term carbon removal where there are no other viable ways to eliminate emissions.

NZAM signatories “acknowledge that the scope for asset managers to invest for net zero and to meet the commitments [...] depends on the mandates agreed with clients and clients' and managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.” ([NZAM Commitment](#))

The NZAM commitment is designed to be ‘methodology neutral’ and asset managers can choose the most appropriate target-setting approach for their business.

²⁰ Each alliance establishes minimum criteria for members' commitments. The commitments acknowledge that the scope for members to achieve net zero and to meet the commitments set forth by each of the alliances depends on the mandates agreed with clients and their regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of signatories' legal duties to clients and unless otherwise prohibited by applicable law.

²¹ Overlap between alliances possible.

The network partners endorse three target-setting approaches — the Net Zero Investment Framework (NZIF), Science Based Targets Initiative (SBTi) for Financial Institutions, and Net Zero Asset Owner Alliance Target Setting Protocol (TSP).

Regardless of methodology used, targets should cover whole funds or mandates, or whole asset classes, that a manager commits to manage in line with net zero emissions by 2050. Managers cannot select individual assets or underlying components of funds, unless part of the entire asset class coverage. Targets should be reviewed at least every five years, although in practice, a number of signatories have already re-set targets following their initial disclosure and ongoing updates are encouraged.

Progress since COP 26 and the road ahead

At COP 26 in November 2021, NZAM had over 220 signatories representing \$57 trillion in AUM. As of 9 November 2022, NZAM had 291 signatories who together represent \$66 trillion in assets.

Throughout the target setting and review process in 2022, several themes became increasingly apparent. Managers are setting these targets against a challenging and ever changing geopolitical and regulatory environment. Many organizations operate globally and must balance a range of jurisdictional requirements, business models, asset class mixes, and other dimensions when setting targets and implementing commitments.

Availability and consistency of methodologies and approaches for different asset classes or types of investments continue to prove challenging, as does data quality and availability. These are areas that network partners are working collaboratively with the investor community to address over the coming months to facilitate future target setting efforts.

Of the 291 signatories as of 9 November 2022, 169 set interim targets covering at least one or more asset classes, up from 43 signatories in November 2021.

This new set of targets brings the total assets under management committed to be managed in line with achieving net zero by 2050 and subject to targets consistent with a 50% global emissions reduction by 2030 to \$22 trillion out of a possible \$55 trillion. This represents around 39% of total assets, which is an increase of 4% from the proportion shared in the November 2021 NZAM progress report, refer to the NZAM Dashboard.

In addition, asset managers are beginning to set interim targets for a broader set of target types, such as engagement targets and climate solutions targets.

Of those members who have set interim targets, 64% also have a fossil fuel policy in place.

NZAM Dashboard *(Updated as of 9 November 2022)*

291 Members* | **\$66TN** AUM

169

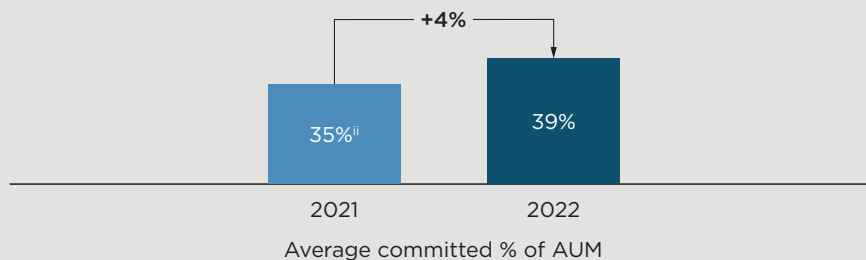
Signatories have set interim targetsⁱ

112

Members with Operational Emissions target

Portfolio coverage

% of AUM committed to net zero



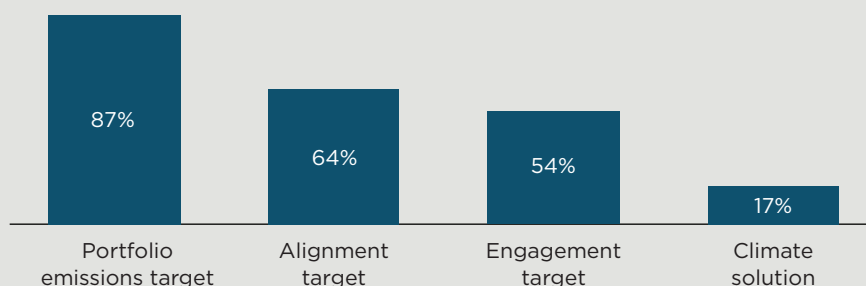
Target setting methodologies and target types

Used for the submitted interim targets

51%

of members have used NZIFⁱⁱⁱ to set these, covering the following target types:

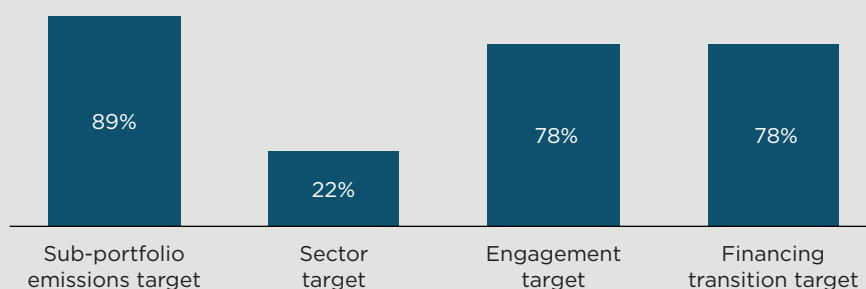
Target types covered



5%

of members have used TSP^{iv} to set these, covering the following target types:

Target types covered by interim target



23%

of members have used SBTi^v methodologies to set their interim targets for one or more asset classes

14%

of members have used a combination of methodologies

7%

of members have used own or other methodologies

i) For 2040 or earlier; ii) Sourced from [2021 NZAM Progress Report](#); iii) [Net Zero Investment Framework](#); iv) [Target Setting Protocol](#) (version 2); v) [Science Based Targets initiative](#).

* Updated as of 9 November 2022. Adjusted for consolidation of related entities.

A key driver behind this growing ambition amongst asset managers is the release of new guidance from the various investor networks including but not limited to:

- [**The Net Zero Investment Framework: Supplementary Target Setting Guidance \(December 2021\)**](#): IIGCC published step-by-step guidance for investors implementing the recommendations of the Net Zero Investment Framework.
- [**NZAM Initial Target Disclosure Report \(May 2022\)**](#): An important feature of NZAM is that the commitment criteria requires all signatories to publicly disclose the proportion of assets to be managed in line with net zero and interim targets set. This report sets out the interim net-zero targets by asset managers, the approaches taken and details of any fossil fuel policies in place.
- [**Investor Agenda Investor Climate Action Plans \(ICAPs\) Guidance on Using the Expectations Ladder \(July 2022\)**](#): Guidance produced to help investors interpret the ICAPs Expectations Ladder and to inform their climate strategy.
- [**IIGCC Proposed Components for Infrastructure \(June 2022\)**](#): IIGCC published a new component for the PAII's NZIF, providing guidance on aligning and managing infrastructure portfolios in line with net zero.
- [**IIGCC Proposed Components for Private Equity \(February 2022\)**](#): IIGCC published a new component for the Paris Aligned Asset Owners Initiative (PAAO)'s Net Zero Investment Framework (NZIF), providing guidance on aligning and managing Private Equity portfolios in line with net zero.
- [**IIGCC Net Zero Stewardship Toolkit \(April 2022\)**](#): IIGCC published a new toolkit for operationalizing engagement and stewardship strategies and targets in alignment with the Net-Zero Investment Framework.
- [**IIGCC Climate Investment Roadmap \(April 2022\)**](#): IIGCC published a tool to help investors accelerate the energy transition through investment and engagement.
- [**Ceres Evaluating the Use of Carbon Credits \(March 2022\)**](#): This report provides critical guidance to help investors assess the integrity of corporate net-zero commitments and companies' use of carbon credits to deliver on those commitments.
- [**Ceres Guidance for Engaging on Climate Risk Governance and Voting on Directors \(February 2022\)**](#): This guidance provides details on topics that investors and proxy advisory firms may want to consider
- to inform their company engagements and decisions on whether to support the election of directors responsible for climate change risk oversight
- [**Science Based Targets for the Private Equity Sector \(May 2022\)**](#): To assist private equity general partners in setting science based targets for their investment portfolios and to provide limited partners access to net zero aligned funds.
- [**NZAM Signatory Guide for CDP reporting \(April 2022\)**](#): To assist NZAM signatories in their annual reporting to the initiative.

Signatories are required to submit annual reporting on their progress to NZAM, including publishing TCFD disclosures and a climate action plan. This information is required to be made publicly available and using this ongoing reporting of progress, NZAM will continue to focus on supporting its signatories through additional guidance to help them navigate their decarbonization journeys.

Net-Zero Asset Owners Alliance (NZAOA)

Introduction

Launched in September 2019, the Net-Zero Asset Owners Alliance (NZAOA) was the first net-zero, 1.5 degrees C aligned alliance established for the financial sector. NZAOA is industry-led, civil society supported, and convened by UNEP FI and PRI.

As of October 2022, the NZAOA brings together 77 asset owners from all regions representing more than \$10.8 trillion in assets under management. Signatories are committed to transitioning their investment portfolios to net zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5 degrees C above pre-industrial levels, taking into account best available scientific knowledge, including the findings of the Intergovernmental Panel on Climate Change (IPCC) based on low or no-overshoot scenarios.

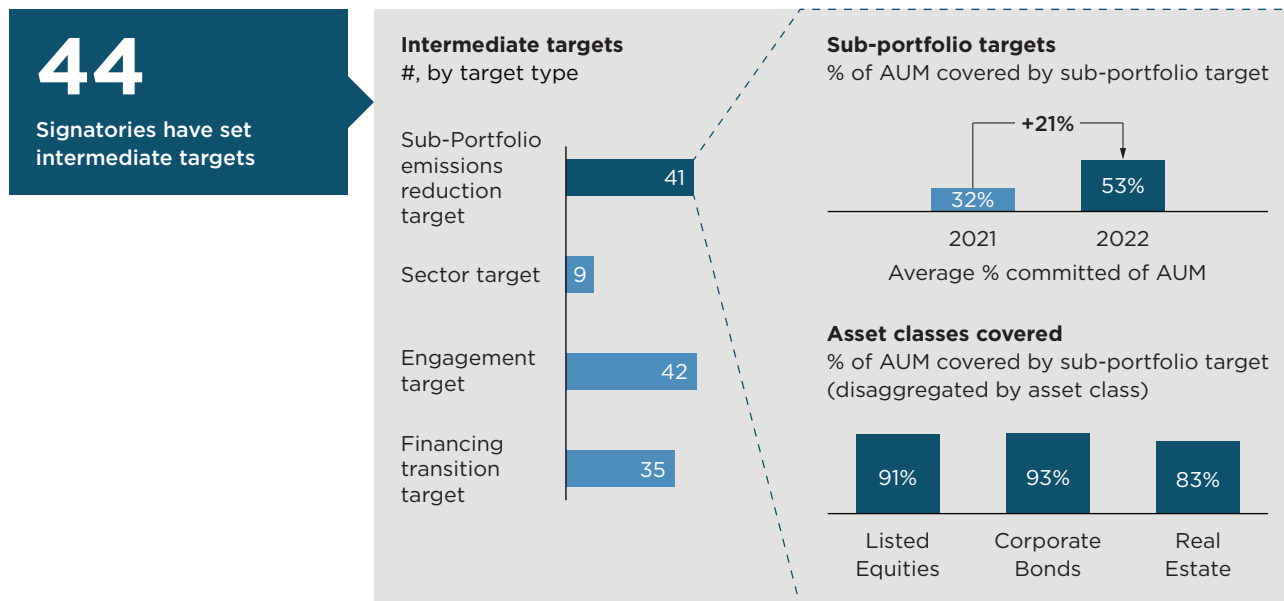
Progress since COP 26 and the road ahead

Of the 77 signatories as of 21 October 2022, 44 have set interim 2025 targets covering at least one or more asset class, refer to the NAZOA Dashboard below.

Last year, initial intermediate targets set by members covered the near entirety of listed equity, corporate bonds and real estate holdings — asset classes where methodologies in the NZAOA's Target Setting Protocol (TSP) were well established. This year, the NZAOA launched its second edition TSP 2.0 that provided new guidance for Infrastructure Investments (equity and debt) and additional sectors (now 12). Please refer to the NZAOA Second Progress Report ([Advancing delivery on decarbonisation targets](#)) for further details.

NZAOA Dashboard

77 Members | \$10.8TN AUM



Please see [The second progress report of the Net-Zero Asset Owner Alliance. Advancing delivery on decarbonisation targets — United Nations Environment — Finance Initiative \(unepfi.org\)](#) for details on targets.

To support its members in their journey to net-zero, the NZAOA has published various position papers and guidance since COP 26, including (but not limited to):

- **[Net-Zero Asset Owner Alliance Second Progress Report \(Sept 2022\)](#)**: The second progress report of the Net-Zero Asset Owner Alliance, which reports on membership growth and growth in intermediate (2025 and 2030) decarbonization targets. Beyond the targets, the report also highlights NZAOA's efforts in advocating for systemic policy changes that would enable a just transition, among them: a governmental carbon price, standardized data disclosures from companies and a cooperative environment for scaling blended finance. The NZAOA also lists its five key asks from policymakers ahead of COP 27.
- **[Net-Zero Asset Owner Alliance Position Paper on Governmental Carbon Pricing \(June 2022\)](#)**: In this paper, the Net-Zero Asset Owner Alliance calls on policymakers to implement ambitious and reliable carbon prices, to fulfill the Paris Agreement commitments. To ensure effective implementation of a carbon price policy instrument, the alliance formulates a list of five design principles.
- **[The Future of Investor Engagement \(April 2022\)](#)**: A discussion paper on investor engagement in support of the net-zero transition and the need for all institutional investors, especially asset owners, to explore new forms of engagement that accelerate decarbonization in the real economy.
- **[Target Setting Protocol Second Edition \(January 2022\)](#)**: Launch of the second edition of the NZAOA Target Setting Protocol, building on the previous edition, it expands guidance on the target setting process for asset owners to additional asset classes (Infrastructure Investments — equity and debt) and additional sectors (now 12).

And collaborated on the following with:

- **[LSEG, The Reference Portfolio \(Sept 2022\)](#)**: Jointly with the London Stock Exchange Group this is the first of a series of annual reports describing the state of decarbonization of global equity indices, expressed in terms of all relevant KPIs used for measuring portfolio GHG exposure.

- **[UTS, One Earth Climate Model \(May 2022\)](#)**: Commissioned by the NZAOA and the European Climate Foundation, the One Earth Climate Model (OECM) provides a roadmap for sectoral decarbonization. By clearly defining scope 3 emissions, while avoiding double-counting, the model and the latest results offer detailed and standardized net-zero pathways for 12 industry sectors.

Additional publications assisting members have been published and can be found on the NZAOA [website](#).

The NZAOA will continue to work collaboratively across members and geographies and with other initiatives in the ecosystem to catalyze credible net-zero action and real-world impact. Further iteration of the Target Setting Protocol is anticipated on an ongoing basis, while additional position papers and member's adaptation of these position papers are also expected annually. The NZAOA also seeks to scale up financing for the net-zero transition, as well as intensify engagement with policymakers.

Net-Zero Banking Alliance (NZBA)

Updated as of 9 November 2022

Introduction

Launched in April 2021, the Net-Zero Banking Alliance (NZBA) is an industry-led alliance focused on banks and convened by the United Nations Environment Programme Finance Initiative (UNEP FI).

As of 9 November 2022, NZBA brings together 122 banks from 41 countries, representing more than US \$72 trillion in assets — over 40% of banking assets globally. Members are committed to aligning their lending and investment activities with net-zero emissions by 2050 or sooner, in accordance with a temperature outcome of no more than 1.5 degrees C by 2100, based on low or no-overshoot scenarios and considering best available scientific knowledge. Over time, as data and methodologies improve, the coverage of targets will expand to cover more banking activities, for example facilitated emissions from capital markets underwriting.

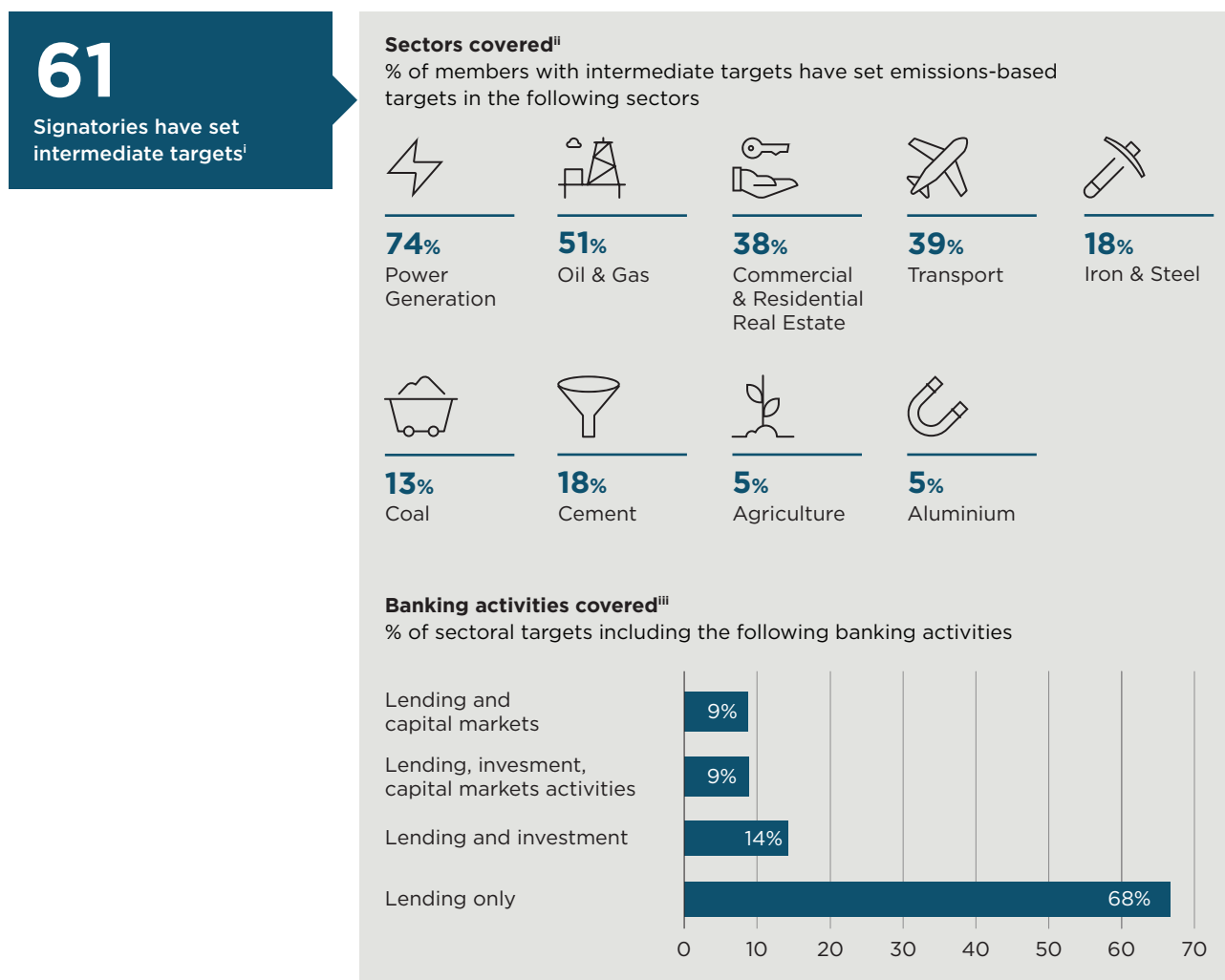
Progress since COP 26 and the road ahead

At COP 26, 92 banks representing \$63 trillion in assets were members of the NZBA. Since then, a further 30 banks have made commitments to net zero, with membership having grown by almost one third. Of the 122 members as of

9 November 2022, 61 had set intermediate targets for one or more sectors and one or more of their banking books (refer to the NZBA Dashboard for more detail).

NZBA Dashboard *(Updated as of 9 November 2022)*

122 Members | \$72TN Financial Assets



i) For one or more sectors, targeting 2030 or earlier; three members have only portfolio-wide intermediate targets and no sector intermediate targets ii) There are additional targets and sectors not included in graphic, which are based on exposure amount or phase out policies; iii) For members having sectoral targets, where specified.

In accordance with the NZBA Commitment statement, member banks have focused on setting intermediate targets for 2030 or sooner, with prioritization going to nine²² carbon-intensive or high-emitting sectors identified by NZBA, with each member prioritizing sectors based on GHG emissions, GHG intensities, and/or financial exposure in their portfolio. The majority of intermediate sectoral targets set to date by NZBA members have been for Power Generation and Oil & Gas sector portfolios.

Banks have 18 months after joining to set their first intermediate targets. These are to be followed, by the 36-month mark, with a full suite of intermediate targets, for attainment by no later than 2030, for all nine of the sectors described in the UNEP FI Guidelines for Climate Target Setting for Banks.²³

To support its members, NZBA has established dedicated working groups to explore topics and assist members with implementing their commitment, as listed below.

- **Implementation Track.** This working group focuses on addressing sector-agnostic data and methodological matters, in particular those linked to the Guidelines on Climate Target Setting, and issues around financing and engagement.
- **Sector Track.** This working group aims to assist members in meeting their commitment to set sectoral targets in nine priority sectors.
- **Outreach and Recruitment Track.** This working group aimed to widen the reach of the alliance through building capacity and informing non-member banks about the alliance and how to get started on a net-zero journey.

List of key 2022 publications:

- **[Supporting Notes for the Guidelines for Climate Target Setting \(August 2022\)](#):** This paper, produced by the NZBA's industry-led Implementation Track, supports its foundational Guidelines for Climate Target Setting for Banks. These Supporting Notes offer clarification on several aspects of the Guidelines, including variations in methodological approaches to target-setting, the materiality of Scope 3 emissions, and the implications of Covid-19 on baseline year measurements.
- **[Foundations for Climate Target Setting \(April 2022\)](#):** The Outreach and Recruitment Track developed this guide as an accessible entry point for the banking sector to understand more about how to start on the climate mitigation journey.
- **[Transition Finance Guide \(October 2022\)](#):** This guide defines the role of transition finance in the net-zero journey, providing a stocktake of existing frameworks and incentive mechanisms that NZBA members could leverage as part of a credible transition plan.
- These and other publications assisting members can be found on the NZBA [website](#).

NZBA will continue to recruit new members and support existing members with their net zero journeys. Members will continue to benefit from peer learning opportunities, webinars and involvement in the work tracks. This includes, in particular, focusing efforts to support alliance members in setting sector-specific decarbonization targets for each of NZBA's nine priority sectors (agriculture; aluminum; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport).²²

²² Agriculture; aluminum; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport identified as high priority sectors in Guideline 1 of the *Guidelines for Climate Target Setting for Banks*.

²³ UNEP FI. [Guidelines for Climate Target Setting for Banks](#). April 2021.

In 2023 the NZBA will start to prepare for its first review of the Guidelines, which will happen by April 2024 at the latest. This review will consider relevant changes in the external environment and any lessons we have learned over the first years of implementing net zero commitments, and decide, through established NZBA governance, whether any changes should be made to the Guidelines to reflect these.

Net Zero Financial Service Providers Alliance (NZFSPA)

Introduction

Launched in September 2021, the Net Zero Financial Service Providers Alliance (NZFSPA) includes credit rating agencies, audit networks, index providers, global stock exchanges, data providers, and investment advisors. All are critical to a net zero financial system. NZFSPA is industry-led, and the PRI provides secretariat support for the alliance overall, with the UN SSE providing secretariat support for the stock exchanges.

As of October 2022, NZFSPA brings together 23 organizations from six different sectors to accelerate the transition to net zero. Signatories are committed to aligning all relevant services and products to net zero by 2050.²⁴

Progress since COP 26 and the road ahead

Financial service providers are a varied group of institutions which play a critical role in financial markets. They include organizations that offer products or services to asset owners and/or investment managers. These include currently index providers, research and data providers, credit rating agencies, stock exchanges, auditors, and investment advisers.

These services are important either as an input into investment decision making (e.g. audit reports, investment advice) or underlying contracts or benchmarks to measure performance and to structure investments. Some of these services are also essential to financial market infrastructure (e.g. Exchanges).

More generally, as some of the financial services providers deliverables could provide the necessary infrastructure for other actors to achieve their targets, NZFSPA's work could also enable and accelerate the net-zero transition. NZFSPA members have committed to support net zero greenhouse gas emissions by 2050 or sooner, consistent with a maximum average global temperature rise of 1.5 degrees C above pre-industrial levels.²⁴

Since COP 26, NZFSPA members are focused on developing target setting frameworks aligned with the goals of the Paris Agreement, as well as implementing the alliance governance.

The alliance has invited organizations to join that have expressed interest over the past year and fall within the scope of the current services included in the alliance, and plans to announce an onboarding process and window for new members at a later stage.

The key focus for NZFSPA for the coming months will be to finalize its target setting frameworks. The alliance will seek to further expand its membership, and finalize reporting templates to track progress across the agreed targets.

²⁴ [NZFSPA Commitment](#). Accessed 13 September. The parties making these Commitments do so subject to any legal, regulatory, professional standards and professional or ethical obligations that apply to them.

Net-Zero Insurance Alliance (NZIA)

Introduction

Launched in July 2021, the Net-Zero Insurance Alliance (NZIA) is an industry-led alliance focused on insurance providers. NZIA is convened by UNEP FI's Principles for Sustainable Insurance Initiative (PSI).

As of October 2022, NZIA brings together 29 insurers and reinsurers from 13 countries representing more than \$700 billion — more than 14% of global written premiums — to play their part in accelerating the transition to net-zero emissions. Signatories are committed to transitioning their insurance underwriting portfolios to net-zero GHG emissions by 2050 at the latest, as well as with a temperature outcome of no more than 1.5 degrees C by 2100, taking into account the best available scientific knowledge, including the findings of the IPCC based on low or no-overshoot scenarios.

Progress since COP 26 and the road ahead

At COP 26, NZIA stood at 13 members including insurers, reinsurers, and The Lloyd's Corporation, a world leading insurance market. Since then, NZIA has grown by over 123% to 29 members.

Since the launch of the NZIA in July 2021, workstreams have focused on defining and shaping what net-zero insurance means, developing strategies, approaches, and methodologies related to insurance-associated emissions and setting out how the insurance industry can influence wider change.

In April 2022, NZIA released a [white paper](#) that articulates what net-zero means in the context of insurance underwriting portfolios, as well as key challenges, opportunities, and potential approaches to achieve net zero.²⁵

The NZIA is currently working with the Partnership for Carbon Accounting Financials (PCAF) to develop the first global standard to measure and disclose insurance-associated GHG emissions by the end of 2022.

Developing and piloting emissions accounting, particularly approaches to associating emissions to insurance underwriting portfolios and target-setting methodologies, are important foundational work not only for the NZIA, but for the global insurance industry at large.

The NZIA is working with the Science Based Targets Initiative (SBTi) in developing a target-setting protocol for insurance underwriting portfolios. This work is an important part of the NZIA's commitment to releasing a target-setting protocol within 18 months from the launch of the NZIA in July 2021 (i.e., by January 2023). Members of the alliance will then have six months to individually set interim science-based emissions reduction targets in line with the protocol. 42% of NZIA members are members of both NZIA and NZAOA and hence have already committed to setting interim targets (using the NZAOA Target Setting Protocol).

25 UNEP FI (NZIA). [Insuring the net-zero transition: Evolving thinking and practices](#). April 2022.

In order to develop the tools and guidance necessary to implement the commitments made by its members, NZIA has put in place several workstreams with a goal of publishing guidance to support its members.

Net-zero insurance is still a new concept catalyzed by PSI activities, culminating with the launch of the NZIA last year. As the NZIA enters its second year, the alliance is focused on growing its global presence further to include more insurance leaders from around the world and developing standards and guidance tailored for insurance underwriting portfolios. These include the first global standard to measure insurance-associated emissions and the first target-setting protocol for underwriting portfolios. Once the target-setting protocol is released, NZIA members will individually set targets. Members are committed to independently report publicly on an annual basis in whatever form and detail they consider appropriate on the progress against such individual intermediate targets.

Since its founding, the NZIA has put a great deal of effort into ensuring that the work of the alliance complies at all times with antitrust and competition laws and regulations. This work will continue as the NZIA engages with the wider global insurance industry and key stakeholders, such as companies across economic sectors, insurance regulators and supervisors, and civil society organizations to raise awareness of evolving net-zero insurance thinking and practices and achieve positive impact through emissions reduction in the real economy.

Net Zero Investment Consultants Initiative (NZICI)

Introduction

Launched in September 2021, the Net Zero Investment Consultants Initiative (NZICI) is an industry-led alliance of investment consultants, convened under the Race to Zero and with PRI acting as secretariat.

NZICI brings together investment consultants to play their part in accelerating the transition to net-zero emissions. Signatories are committed to integrating advice on net-zero alignment into all their investment consulting services as soon as practically possible, and within two years of making the commitment, and supporting efforts to decarbonize the global economy by helping their clients to prioritize real-economy emissions reductions.

Progress since COP 26 and the road ahead

Investment consultants provide investment advice and related services to asset owners to help them achieve their objectives. Given the position of investment consultants in the institutional investment chain, they provide a critical link between asset owners and asset managers. This initiative is therefore, important to achieving net zero goals across the financial sector.

Over the past year, the members of the group have been working on a target setting framework and the initiative has recently received approval from Race to Zero. NZICI has also worked on developing a reporting framework for the alliance and has contributed into the GFANZ Portfolio Alignment Measurement workstream.

The initiative is currently working on a progress report to be published in the coming months.

The members will continue to make progress meeting their commitment and in implementing their target setting framework. The initiative will also seek to expand membership throughout the next year.

Paris Aligned Asset Owners (PAAO) Initiative

Updated as of 9 November 2022

Introduction

Paris Aligned Asset Owners (PAAO) is a global group of asset owners, mainly pension funds, committed to aligning their portfolios with the goals of the Paris Agreement. It's governed by a steering group of nine asset owners from Australia, Europe, the UK, and the US, and supported by four regional investor networks — AIGCC (Asia), Ceres (North America), IGCC (Oceania), and IIGCC (Europe).

Signatories aim to deliver against a 10-point net zero commitment statement²⁶ in a way that is consistent with their fiduciary duties. This includes transitioning investments to achieve net zero portfolio greenhouse gas emissions by 2050 or sooner, in line with credible, science-based, net-zero scenarios with no-low overshoot, and setting fair share interim targets covering Scope 1, 2, and 3 emissions. Drawing on the Net Zero Investment Framework (NZIF),²⁷ signatories commit to supporting real economy emissions reductions

utilizing a range of levers; from engagement and stewardship, strategic asset allocation, and policy advocacy.

Progress since COP 26 and the road ahead

The group launched with 22 asset owners representing more than \$1 trillion in assets, and today stands at 57 with more than \$3.3 trillion in assets. As of 9 November 2022, 40 signatories have disclosed initial targets and objectives.²⁸

Using the Net Zero Investment Framework as a key methodology, asset owners have set targets covering a range of asset classes including listed equity, corporate fixed income, real estate, infrastructure, and private equity. Signatories have set interim portfolio decarbonization targets for 2025 and/or 2030. Six have set ambitious targets to achieve net zero between 2030-2045.

45% of those that have disclosed interim targets have set a portfolio coverage target — a goal for increasing the percentage of AUM invested in assets that can be classed as “net zero”, “aligned”, or “aligning” to a net zero pathway, based on multiple criteria that capture the transition potential of an asset. 98% have committed to increasing their investment in climate solutions and 55% have set a quantitative target for their investment in climate solutions.

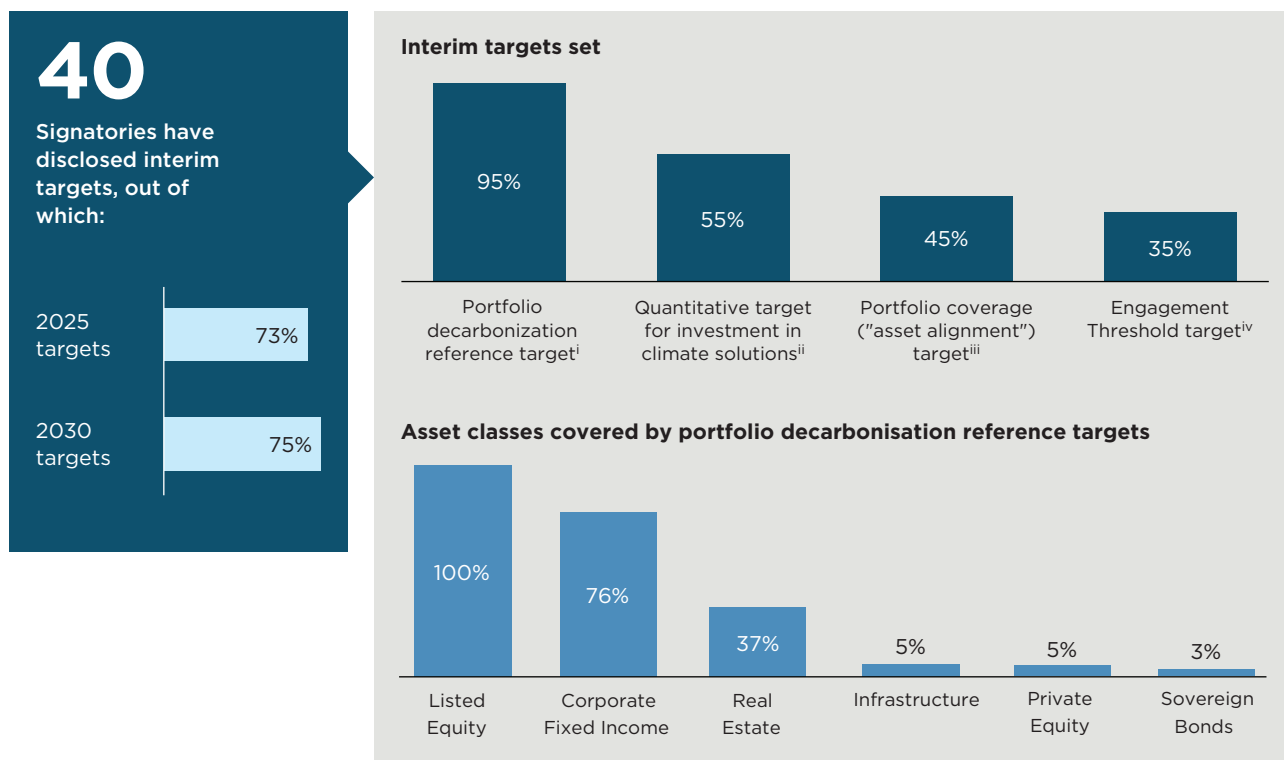
²⁶ [Paris Aligned Asset Owner Net Zero Commitment Statement](#).

²⁷ [The Net Zero Investment Framework](#).

²⁸ [Paris Aligned Asset Owners Initial Target Disclosures](#).

PAAO Dashboard (Updated as of 9 November 2022)

57 Members | **\$3.3TN AUM**



i) A <10-year CO₂e emissions reduction target, with 5-year interim targets, covering listed equity and corporate fixed income, and real estate ([NZIF: IIGCC's Supplementary Guidance on Target Setting](#)); ii) A <10-year goal for increasing allocation to climate solutions; iii) A 5-year portfolio coverage target for increasing the percentage of AUM in material sectors that are: a) achieving net zero, or, meeting the criteria to be considered, b) 'aligned' to net zero, or c) 'aligning' to net zero.; iv) An engagement threshold which ensures that at least 70% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions.

The investor networks host a range of investor-led working groups to expand the Net-zero Investment Framework and offer 'real-time' implementation support. Evolving methodologies developing practical implementation tools in collaboration with our members, remains a key priority. Key resources for signatories include:

Signatory updates

- Paris Aligned Asset Owners: Initial target disclosures (June 2022; October edition forthcoming)
- Paris Aligned Asset Owner Progress Report (forthcoming, November 2022)

The Net Zero Investment Framework updates

- [The Net Zero Investment Framework Implementation Guide](#)
- [Supplementary Target Setting Guidance](#)
- [Net Zero Guidance for Infrastructure](#)
- [Net Zero Guidance for Private Equity LPs and GPs \(consultation version\)](#)
- [Net Zero Guidance for Derivatives and Hedge Funds](#)
- [Paris Alignment for Adaptation and Resilience](#)

Implementation guidance

- [Investor Climate Action Plans: guidance and case studies](#)
- [How investors can support an equitable transition to net zero](#)
- [Net Zero Stewardship Toolkit](#)
- [The Climate Investment Roadmap](#): A tool to help investors accelerate the transition
- [Green Equity Exposure in a 1.5°C Scenarios \(produced by FTSE Russell, LSEG\)](#)
- [Evaluating the Use of Carbon Credits](#)
- Measuring and setting targets for allocation to climate solutions (forthcoming, Q4 2022)
- Scope 3: materiality and measurement (forthcoming, Q1 2023)

In 2023, the investor networks will further increase implementation support and regularly bring signatories together to collaborate on live implementation challenges and share innovations in net zero strategies. Asset owners are brought together via net zero “surgeries”, bootcamps, masterclasses and networks provide

one-to-one support. Examples of popular topics in 2022 include:

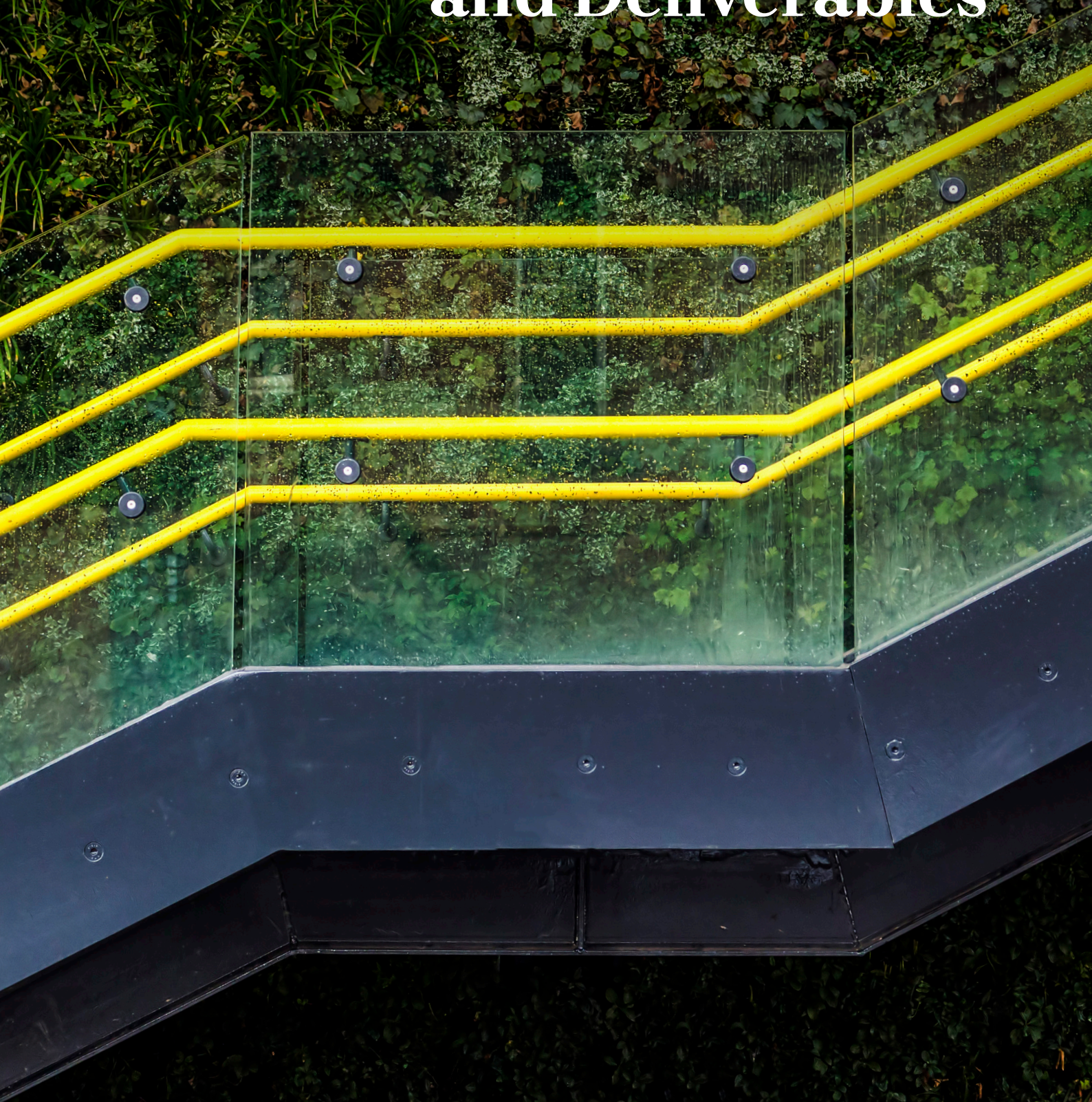
- Emissions accounting
- Target setting (covering all target types)
- Stewardship, escalation strategies, and voting policies for net zero
- Just transition
- Data for net zero
- Asset owner engagement with asset managers
- Policy advocacy for net zero

Contact the investor networks for further information on implementation activities and support.

The initiative is establishing a process for Paris Aligned Asset Owners to report against progress annually, in line with TCFD and other reporting requirements. The initiative will regularly update the Target Disclosures Report²⁹ in line with asset owner updates. Read the forthcoming Paris Aligned Asset Owners Progress Report for detailed analysis of targets and an exploration of signatories' net zero strategies.

29 See the June Update [here](#) and forthcoming October update to be published on the PAAO website [here](#).

GFANZ 2022 Work Program and Deliverables



4. GFANZ Workstream Updates

NET-ZERO TRANSITION PLANNING AND TRANSITION FINANCE

Over the course of the year, GFANZ developed a series of related guidance, frameworks, and other resources to support transition planning across the financial sector, with the goal of enabling and financing the real-economy transition to net zero. This body of work builds on the findings of last year's stocktaking exercise³⁰ to understand the range of existing guidance and best practices already identified and developed by key industry groups, sector-specific alliances, member firms, NGOs, academics, scientists, and other organizations from around the world, as well as the latest guidance that has evolved over the past year. To elevate best practices and encourage adoption, we feature institutional case studies to illustrate application of the key concepts and elements of our framework. Together, the GFANZ publications provide a voluntary framework for financial institutions to use when developing and implementing net-zero transition plans.

GFANZ recognized that meeting the objectives of this work program and ensuring the development of a truly global, pan-sector net-zero transition planning framework would require engagement and support from a diverse group of private and public sector stakeholders from around the world. To that end, GFANZ launched two public consultations over the course of 2022 and worked closely with a broad array of groups in the net-zero ecosystem — including private financial institutions, technical NGOs, research institutions, advocacy groups, governmental organizations, international

bodies, and others — to ensure that our publications reflect the expertise and thought leadership across the financial sector at the time of writing. We are grateful to all of the individuals and institutions around the world who contributed to this important body of work.

The full series of publications, webinars, press releases, and other resources can be found on our [website](#).

Financial Institution Net-zero Transition Plans Vision and Objectives

Our vision: to support the development and effective implementation of ambitious, credible net-zero transition plans for financial institutions.

Financial institutions have a vital role in supporting the real-economy transition by facilitating the allocation of capital and providing related services to transition activities. To meet the needs of our members and support their efforts to accelerate net-zero transition in the real-economy, GFANZ set out to develop a net-zero transition plan framework that can be applied globally across all types of financial institutions.

For 2022, the workstream built on the invaluable work already conducted by stakeholders across the industry to develop a financial institution net-zero transition plan (FI NZTP) framework that provides principles-based, pan-sector guidance to support financial institutions in the development of net-zero transition plans.

³⁰ Findings summarized in the [2021 GFANZ Progress Report](#).

Progress and Publications



In June 2022, GFANZ published a draft of our flagship report [Recommendations and Guidance on Financial Institution Net-zero Transition Plans](#) which outlines the FI NZTP framework. The report identifies four key financing strategies that GFANZ believes are essential to the transition, and provides recommendations and guidance on key elements of an FI NZTP — comprising ten core components grouped into five themes — that constitute the full set of activities a financial institution can consider in developing and executing a credible transition plan.

In November 2022, following a year of engagement with hundreds of stakeholders and an open consultation on the initial draft, GFANZ published an updated final **Financial Institution Net-zero Transition Plans report***.

This framework provides policymakers and regulators with the necessary insights to better understand efforts to mitigate climate-related risk, and to assess progress toward realizing national climate commitments. The framework also provides governments and standard-setters with a common global approach to inform disclosure guidance to further improve transparency and accountability.

The flagship report builds on the work of the Task Force on Climate-related Financial Disclosures (TCFD); guidance and insights developed by the sector-specific net-zero alliances; research from

non-government organizations (NGOs), scientists, academics, industry, and other technical experts; and learnings from financial institutions that have already developed transition plans. This final report will reflect the body of work and thought leadership in the financial industry at time of writing.

The workstream engaged with financial institutions, sector organizations, and civil society and subject matter expert groups in the development of this framework. GFANZ is grateful to the wide range of organizations referenced in the report that have developed guidance and other resources to support the critical work of transition planning. We would also like to thank the over 180 respondents³¹ around the world that submitted more than 900 pieces of feedback on the consultation report, all of which were reviewed and considered in the final report.

In addition to the open consultation, bi-lateral engagements and participation in round tables were used to ensure the report reflected the latest thinking. The workstream participated in a series of webinars and Q&A sessions during the open consultation period that served as additional forums for feedback and knowledge sharing.

Achieving an economy-wide, net-zero transition will require ambitious action from governments, substantial efforts to decarbonize real-economy companies, as well as support from the financial sector. GFANZ encourages financial institutions to refer to the guidance in this publication and their net-zero alliances by developing and implementing NZTPs, and evaluating their strategies against the four key financing strategies. Real-economy firms would also benefit from setting net-zero commitments and developing ambitious NZTPs. GFANZ encourages policymakers and regulators to reference the publication as they consider policy regarding transition plans for the financial sector.

³¹ Including financial institutions, government agencies, individual experts, and NGOs.

*Published in three documents: 1) [Executive Summary](#), 2) [Fundamentals, Recommendations and Guidance](#), and 3) [Supplemental Information](#)

Recommendations and Guidance on Financial Institution Net-zero Transition Plans



Net-zero Transition Plans (NZTPs)

NZ Commitment > Develop and implement a NZTP

A net-zero transition plan (NZTP)

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 reductions in line with achieving global net zero.



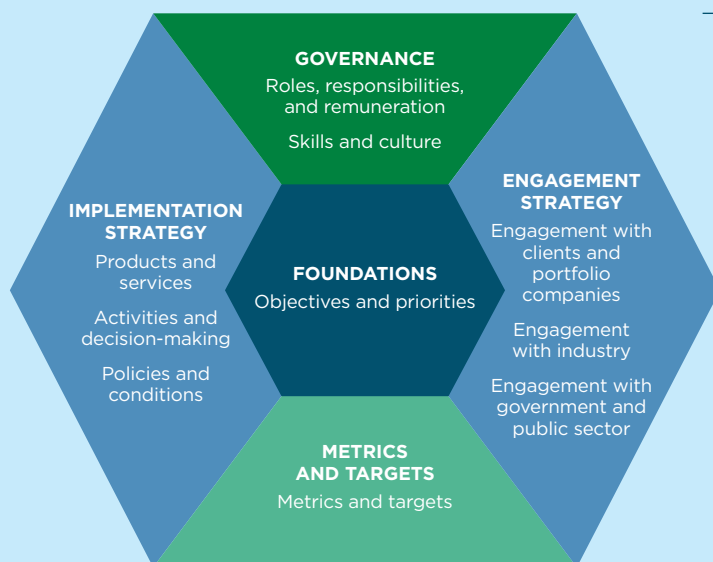
Aligning the financial sector with the net-zero transition

Increase transition finance > Achieve NZ by 2050 and support global NZ transition

Four key financing strategies to reduce real-economy emissions



GFANZ recommendations and guidance



The framework provides globally applicable voluntary recommendations and guidance across the finance sector.

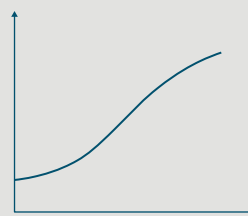
It can be used by any financial institution working to turn their climate commitments into action alongside guidance from net-zero alliances and civil society.



Further refinements and ongoing considerations



Look ahead



- Widespread adoption of NZTPs
- Increase capital allocation and services to four key financing strategies
- Co-operation between finance, real-economy and policymakers

Sectoral Pathways and Real-economy Transition Plans

Vision and Objectives

Our vision: to catalyze understanding and use of net-zero sectoral pathways and articulate expectations of financial institutions for real-economy transition plan disclosures. Together, these efforts enable clearer financial decision-making in support of transitioning sectors and accelerating the net-zero transition in the real economy.

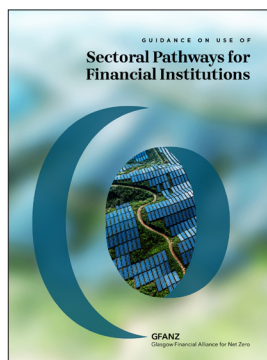
Sectoral pathways provide the link between the science of the remaining carbon budget and the detailed steps that a sector could take to reduce greenhouse gas emissions to a defined level in a specified timeframe. In order to effectively develop, implement, and monitor net-zero transition plans, financial institutions must understand the model composition, use-cases, and limitations of the various pathways for a given sector.

In addition, implementation of net-zero commitments would require financial institutions to develop transition strategies that may lead to adjustments to their decision-making processes and activities, resulting in significant implications for real-economy companies. Sectoral pathways can be used to build narratives and guard rails for how a sector transitions to net-zero, and then to benchmark and monitor performance of their own, as well as client and portfolio company, transition plans.

For 2022, the workstream set out to support financial institutions in their efforts to develop credible transition plans by developing a framework for financial institutions to compare sectoral pathways, as well as guidelines for expected disclosure from clients and portfolio companies.

Progress and Publications

The workstream extensively engaged with over 200 entities, including pathway developers, real-economy companies, financial institutions, and other stakeholders, over the course of the year to support the development of the various publications. This included: holding roundtables with pathway developers; organizing deep dive workshops with over 70 participants to discuss key technical insights from specific sectoral pathways; and bilateral meetings with member organizations. In addition to engaging with standard setters, technical experts, and financial institutions, the workstream worked with companies in a broad range of sectors from around the world to ensure the guidance across the various publications reflect the perspectives of real-economy companies.



In June 2022, GFANZ released the report, [Guidance on Use of Sectoral Pathways for Financial Institutions](#), which introduces the landscape of sectoral pathways, and the GFANZ pathway framework that aims to drive consistency in the use of pathways for decision-making by financial institutions. The report is to be used as a guide to support financial institutions' selection and use of pathways, in line with institutional and/or client goals, for the: creation of net-zero transition plans, alignment of their portfolios, and engagement with real-economy firms.



In September 2022, GFANZ published the report, [Expectations for Real-economy Transition Plans](#) as a practical guide for companies in the real economy when building transition plans and disclosing progress against them. To facilitate the development of credible transition plans, this report draws from the landscape of existing guidance and assessment methodologies to provide this outline of expected transition plan disclosures from real-economy companies, including: the TCFD, International Sustainability Standards Board (ISSB), CDP, the Assessing Low Carbon Transition (ACT), Climate Action 100+, and the Transition Pathway Initiative management Quality, Science Based Targets initiative (SBTi), Transition Pathway Initiative Carbon Performance.

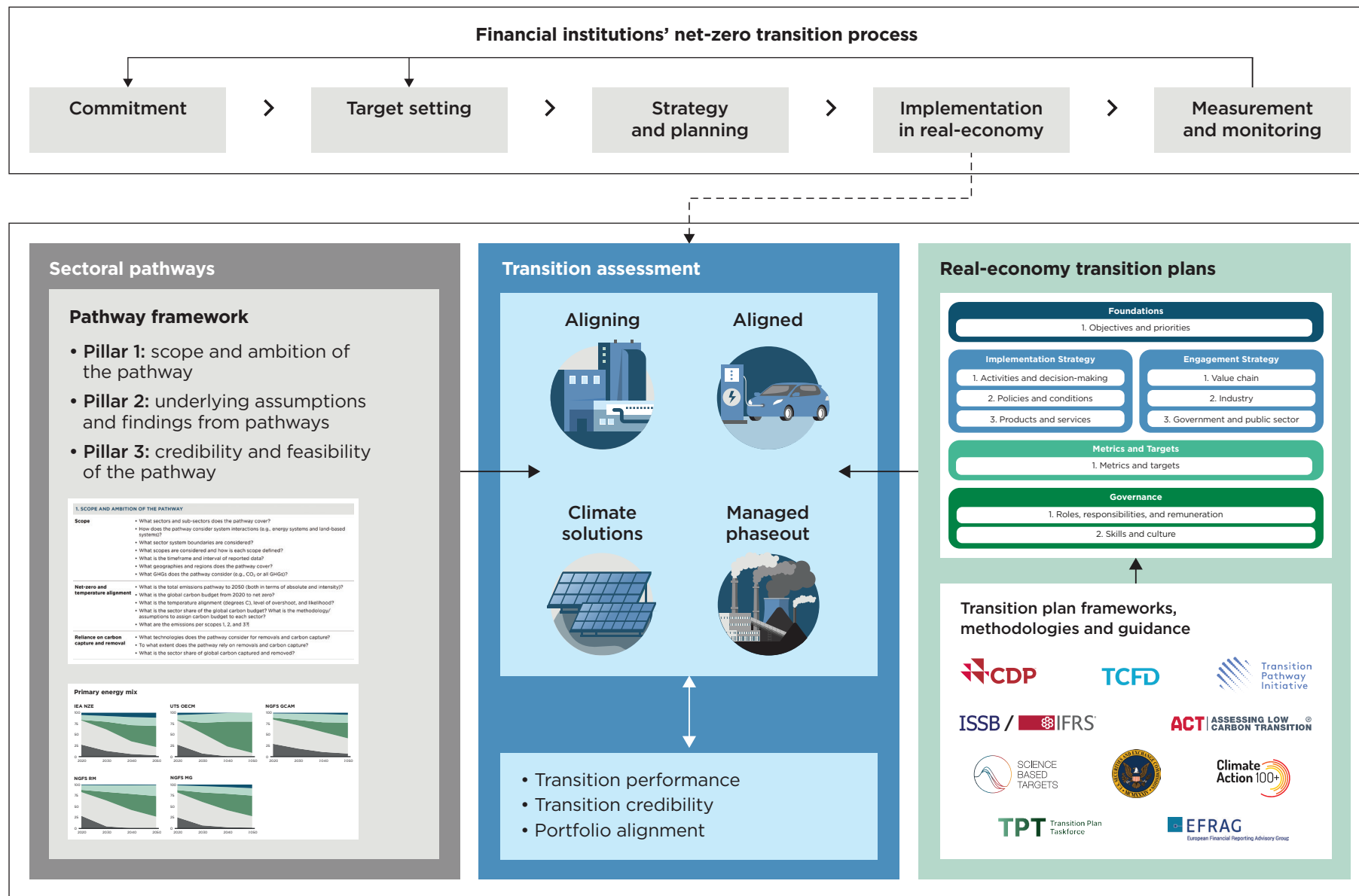
Over the course of 2022, the workstream developed three *Net-zero Pathways Analysis and Expectations for Transition Plans reports on Steel, Aviation, and Oil & Gas*³² to apply the workstreams

to these key sectors. These documents dive deeper into the assumptions, scale and timing of the decarbonization of levers in 1.5 degrees-C-aligned, net-zero pathways for these sectors; provide key implications for financial institutions; and so highlight the priority, specific transition plan disclosure for these high-emitting sectors drawn from existing frameworks for real-economy transition plan components and guidance. The reports will be published in early 2023.

For the global economy to reach net zero, financial institutions should work closely with clients and portfolio companies to support and enable their net-zero commitments and their transition plans. This requires financial institutions to have a clear understanding of pathways to enable decision-making and bridge the gap between the ambition of pathways and the transition in the real economy. Companies that support a net-zero transition can adjust and disclose their strategies to be aligned with net zero via transition plans, and should work with financial institutions, policymakers, clients/portfolio companies, and suppliers to deliver on net-zero objectives.

In addition, GFANZ urges pathway developers to improve useability and act on the limitations identified in our report to build pathways that are aligned with financial institutions' expectations.

³² These sectors were highlighted given emissions profiles and abatement potential.



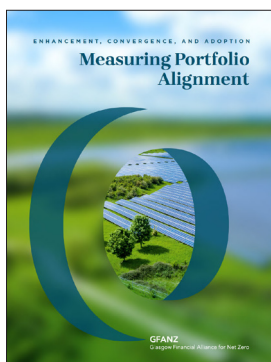
Portfolio Alignment Measurement

Vision and Objectives

Our vision: to support financial institutions in developing and implementing sound portfolio alignment and measurement methods and metrics that help enable the allocation of capital to the net-zero economy. To effectively measure the alignment of the four key financing strategies, financial institutions need forward-looking metrics to monitor progress of aligning financing activities with the goal of net-zero and enable transition finance. However, tracking decarbonization trajectories within a portfolio is complex, and there is currently no consensus on which methods and metrics to use or how and when to apply them.

To help overcome the complexities, the GFANZ workstream on portfolio alignment set out three objectives for 2022: to enhance the existing Portfolio Alignment Team methodology; to drive convergence around best practices in portfolio alignment measurement techniques across the financial services industry; and to increase adoption and disclosure of portfolio alignment metrics by financial institutions.

Progress and Publications



In August 2022, GFANZ published a draft of the [Measuring Portfolio Alignment: Enhancement, Convergence, and Adoption](#) report building on the 2020 and 2021 work of the Portfolio Alignment Team. To develop the report, the workstream engaged and consulted with over 100 institutions

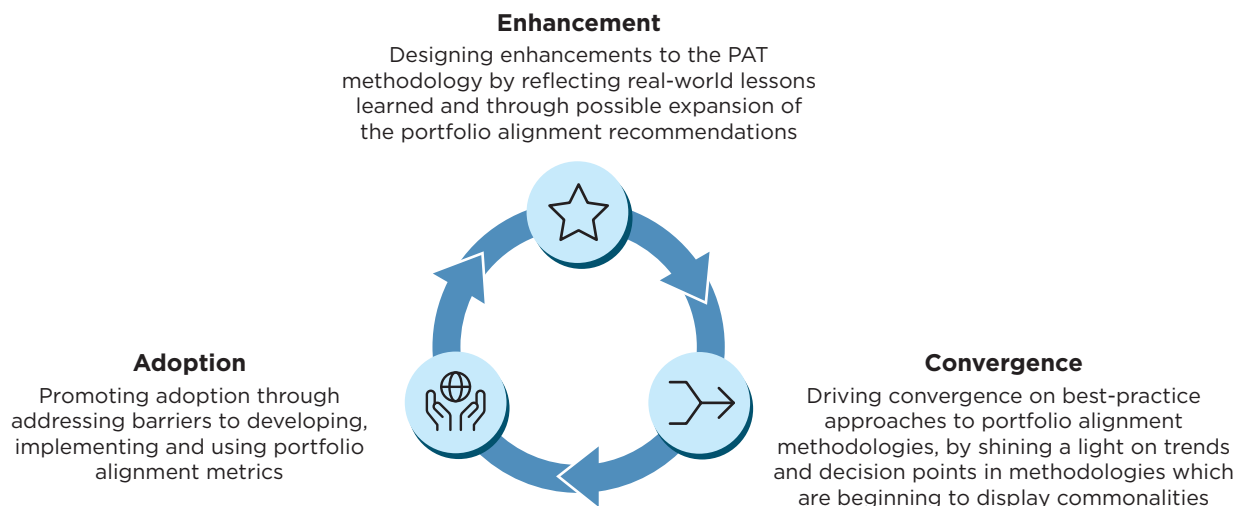
across public and private sector, academia, and civil society. The report was open for public consultation; during the consultation and corresponding live webinars, over 900 pieces of feedback from more than 90 respondents were reviewed and incorporated into the final report.

In November 2022, GFANZ published the final [Measuring Portfolio Alignment: Driving Enhancement, Convergence, and Adoption](#) report.

With the help of institutional use cases and case studies the report provides a practitioner perspective on how portfolio alignment methods and metrics are used today and outlines refined guidance for five key design judgments. The report identifies seven distinct use cases that apply to investment decision-making and communicating with key stakeholders. To help practitioners implement alignment metrics, the use cases have been clearly linked to the relevant alignment metrics.

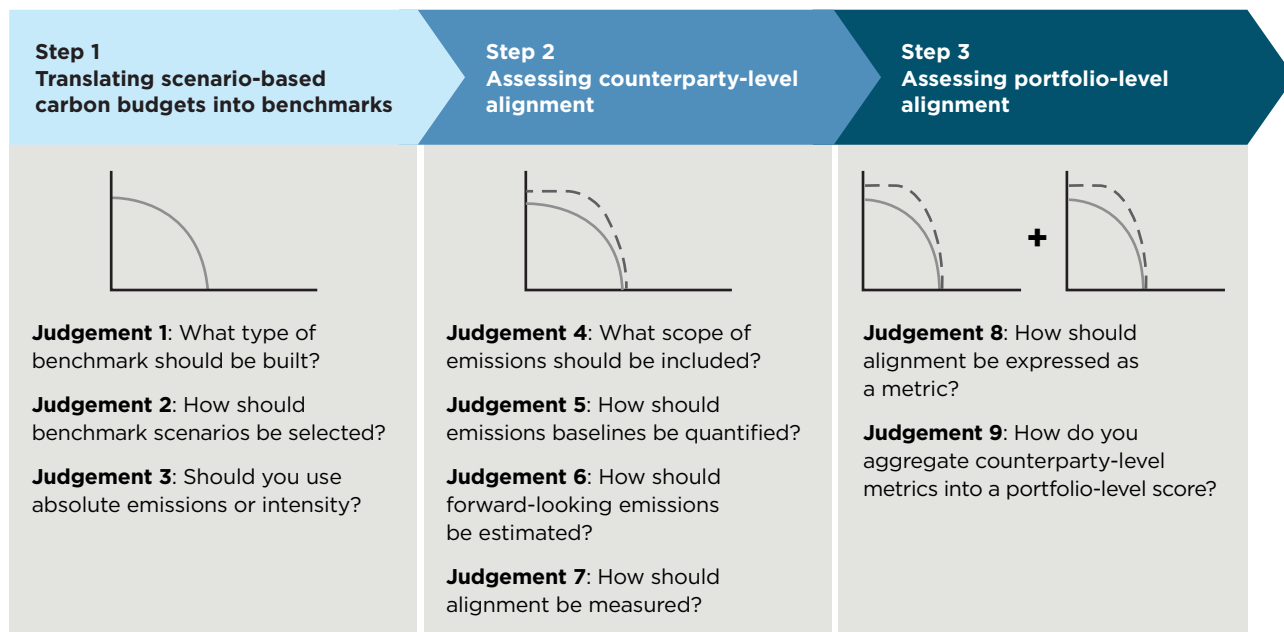
The Key Design Judgement Framework for measuring portfolio alignment that had been developed by the Portfolio Alignment Team in prior years has been refined further to provide best practice guidance on key decisions that are crucial for developing portfolio alignment methods. One central enhancement is an illustrative credibility framework to assess emissions reduction targets and corporate net zero-aligned transition plans in order to project future GHG emissions of portfolio companies.

With the enhancements proposed, the workstream seeks to address current gaps in portfolio alignment measurement and accelerate progress toward the wider adoption of portfolio alignment metrics among financial institutions that are committed to supporting a science-aligned net-zero transition by 2050. GFANZ hopes this report will support financial practitioners' use of decision-useful portfolio alignment metrics to reallocate capital to the net-zero economy.



The Portfolio Alignment Measurement Framework

Key design choices that financial practitioners have to make when measuring portfolio alignment. If done in a sound way, they can help to inform capital allocation decisions toward the net-zero economy.



Managed Phaseout of High-emitting Assets

Vision and Objectives

Our vision: To develop a credible net zero-aligned, managed phaseout approach for the operation and financing of high-emitting assets with clear commitments around retirement.

To succeed in a 1.5 degrees C-aligned transition, financial institutions have an important role to play in financing and enabling decarbonization of the real-economy. This involves prioritizing the four key financing strategies, one of which includes potential early retirement of high-emitting physical assets.

A Managed Phaseout approach provides an alternative to financial institutions to withdrawing finance (e.g., divesting) from these assets.

While withdrawal of finance can encourage decarbonization, it can also potentially have the unintended consequence of prolonging the life of high-emitting assets and even worsen emissions profile if transferred to those with less climate ambition. A credible approach to early retirement is critically important and provides the rigor and guardrails necessary to set conditions for responsible managed phaseout of high-emitting assets in support of an orderly and just transition.

In 2022, this workstream developed preliminary guidance on the features of a credible asset-level Managed Phaseout plan.

Progress and Publications

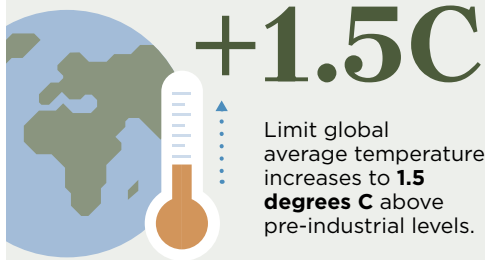


GFANZ released the [Managed Phaseout of High-emitting Assets](#) report in June 2022. This publication provides a high-level approach to support the identification of assets where Managed Phaseout could be appropriate, offers an initial overview of potential financial mechanisms that could support Managed Phaseout, and includes initial guidance on the features of a credible asset-level Managed Phaseout plan. This report also sets out nine actions that require further development that build on this initial thinking and address the needs identified in order to establish Managed Phaseout as a credible net zero-aligned strategy to support the decarbonization of the global economy.

Through the course of this work, the GFANZ APAC Network has also identified strong interest in managed phaseout of coal assets in some Asian countries. GFANZ thus launched a sub-workstream in APAC in October 2022 to develop specific guidance for financial institutions looking to support managed phaseouts in the region. This will add clarity to such transactions, and support the mobilization of transition finance into EM&DEs.

The Managed Phaseout of High-emitting Assets

THE OBJECTIVE



THIS INVOLVES...



developing new, **no/low emission** assets.



decarbonizing existing high-emitting sectors.



The **early retirement** of a significant amount of high-emitting assets.

Governments, businesses and financial institutions have committed to achieving **net zero-carbon emissions** by 2050 at the latest.

HIGH-EMITTING ASSETS

High-emitting assets provide important functions across many sectors including:



INDUSTRY



BUILDINGS



AUTO

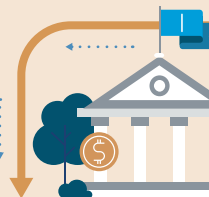


AIR TRAVEL

FINANCING EARLY RETIREMENT

Financial institutions and companies need an approach to high-emitting assets that can support near term provision of key services but meet the imperative of early retirement.

The responsible approach is to manage down the emissions from portfolios, not pass them to someone else.



MANAGED PHASEOUT IS A STAKEHOLDER-ENGAGED, NET ZERO-ALIGNED STRATEGY FOR THE EARLY RETIREMENT OF HIGH-EMITTING ASSETS

WHAT ARE THE BENEFITS OF THIS APPROACH?



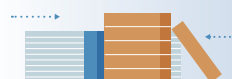
Promotes an **orderly transition**.



Can **draw in broader stakeholders** to support just transition and continuity of service.



Financial institutions stay engaged with companies in high-emitting sectors and support them through the net-zero transition.



Mitigate financial marginalization for companies with high-emitting assets but credible transition plans.

ESTABLISHING MANAGED PHASEOUT AS A NET-ZERO APPROACH



Develop forward-looking **metrics and targets**.



Create **tools to help identify** assets that may need to be retired early.



Integrate Managed Phaseout in **financing policies** and conditions.



Develop guidance on **financing mechanisms**.



Ensure credible **transition pathways** for high-emitting sectors.



Public Policy steers to support Managed Phaseout.

MOBILIZING CAPITAL TO EM&DEs

Vision and Objectives

Our vision: supporting the mobilization of private capital into emerging markets and developing economies through private-sector leadership and public-private collaboration.

Transitioning the global economy to net zero requires significant investment in energy transition and related infrastructure in Emerging Markets and Developing Economies (EM&DEs). The transition of EM&DEs is critical to achieving global climate goals, and many lower-income countries are already highly vulnerable to the devastation of climate change. Despite this, there has been insufficient momentum in mobilizing climate finance to support their just transition to economies with clean, affordable, and accessible energy.

In 2022, the workstream has worked with stakeholders to create the right conditions for increased investment, including through support of development of country platforms to accelerate action through stronger country-level collaboration and catalytic initiatives that have the potential to unlock and scale greater investment in EM&DEs. The workstream believes it is critical to success to increase the level of constructive dialogue and engagement with key public sector actors such as multilateral development banks and development finance institutions.

Progress and Publications

GFANZ will continue to work with stakeholders to create the right conditions for increased investment, as outlined in the [2021 Mobilisation Statement of Support](#). In November 2022, GFANZ published [GFANZ Actions to Mobilize Capital to Emerging Markets & Developing Economies](#) highlighting the actions taken by the GFANZ mobilization workstream in support of this aim, including to enhance data and transparency, provide support for EM&DE transition, and increase investment to accelerate the transition.

To improve the tracking and understanding of EM&DE financial flows and the enabling environment factors that influence investment, GFANZ has commissioned BloombergNEF, given their significant expertise in this area, to prepare a report on the current state of energy transition investment. The [report](#) provides a detailed review of energy transition investment trends across EM&DEs and details the enabling environment success stories that have unlocked significant private investment, as well as the many barriers that continue to slow progress.

In recognition of the need for a truly global, whole-economy transition to achieve net zero, GFANZ is building out support for EM&DE implementation of climate-related practices and standards. The Africa and APAC regional networks, launched in 2022, will be leveraged to enhance knowledge-sharing and capacity-building in a globally inclusive manner.



GFANZ is also working to increase investment in EM&DEs to accelerate the transition, including through greater public-private collaboration in country-focused finance. The [Private Sector Statement on the Potential for Country Platforms to Mobilize Capital for Net-zero Transition in EM&DEs](#), released in July 2022, expresses support for country platforms and Just Energy Transition Partnerships and outlines conditions that could help crowd in private finance at the scale required. GFANZ has convened private finance working groups in support of the Indonesia and Viet Nam JETPs, as well as Egypt's Nexus on Food, Energy, and Water (NWFE) program. GFANZ continues to support other

catalytic initiatives that have the potential to unlock and scale greater investment in EM&DE climate ambitions, including a partnership with the Climate Finance Leadership Initiative (CFLI) on Country Pilots to drive locally tailored climate action in support of NDCs in India and Colombia.

NET-ZERO PUBLIC POLICY

Vision and Objectives

Our vision: To advocate for wider policy reforms needed from governments and regulators to create the enabling environment needed to underpin an orderly and just net-zero transition economy wide.

The finance sector alone cannot drive the transformative change required for global net-zero transition. GFANZ recognizes that an orderly and just transition requires commitment and collective action across private and public sectors. Action by the financial sector, while critical, is no substitute for action by government, and there is an urgent need for government policy that will provide sufficient clarity to the private sector on the intended path to net zero, thereby providing essential confidence and clarity to mobilize the world's capital at the scale needed.

Progress and Publications



In October 2021, GFANZ released a [Call to Action](#) urging G20 governments to follow through on the commitments of the Paris Agreement and ensure a just transition to a net-zero global economy. It sets out five broad asks of G20 governments to accelerate

the transition to a net-zero economy and meet the goals of the Paris Agreement. In their entirety, these represented the key components for holistic and coherent government-level transition plans.

GFANZ continues to advocate for policies recommended in the 2021 Call to Action and remains committed to working with governments, regulators, corporates, and civil society to play its part in delivering on them. Ambitious, credible national government transition plans are needed now if the world is to avoid overshooting 1.5 degrees C and a disorderly transition.

In November 2022, GFANZ published the [Call to Action: One Year On](#), reflecting on progress achieved and areas that continue to require more work and attention since the 2021 Call to Action. The updated report revisits the five levers to understand progress made and highlight priority policy recommendations for governments as they pursue their own national transition planning and implementation of their NDCs.

As financial institutions move from commitment to action, GFANZ is committed to encouraging the financial sector to develop and disclose their own net-zero transition plans to provide transparency and credibility around the actions being taken to achieve their commitments. Yet the financial sector cannot transition faster than the real economy. GFANZ remains supportive of ambitious policy that will support real economy transition.

GFANZ remains committed to working with governments, regulators, corporates, and civil society to play its part in supporting delivery.

We call on G20 governments to act now with increased urgency. National government transition plans are needed if the world is to avoid a disorderly and unjust transition and governments are to deliver on their NDCs.

5. Regional Networks

Delivering upon the commitment outlined in last year's progress report, during 2022, GFANZ has expanded its global physical presence to facilitate ongoing collaboration with the global climate community.

GFANZ has developed networks supported by in-region GFANZ Secretariat members to enhance our geographic representation and to provide region-level insights, expertise, and perspectives to our work. Our Asia Pacific Network was launched in June 2022, and our Africa Network was launched in September 2022. We look forward in the coming year to launch a similar regional network in Latin America.

Each network is managed by a Regional Director, who is responsible for developing the network's program and engaging relevant local stakeholders, and professional staff. A region-specific Advisory Board composed of global and regional leaders across the public and private sectors provides strategic direction to the network and regional insights and expertise.

The networks will:

- **Engage with the financial system and drive recruitment**
Offer roundtables, workshops and events, and encourage increased geographic diversity of sector-specific alliance membership and GFANZ workstreams
- **Connect stakeholders and amplify resources**
Provide a resource of regional expertise for workstreams to draw on and to amplify efforts to mobilize capital to the region
- **Serve as a center for analysis, research, and knowledge engagement**
Work in partnership with sector-specific alliances, partner organizations, and academia to provide content and support tailored to the region
- **Facilitate public sector engagement**
Promote enabling environments for net-zero transition

The efforts of our Regional Networks are well-aligned with the GFANZ workstream on Mobilizing Capital to EM&DEs. Collectively, GFANZ is working to support a global net-zero transition including through capacity building in EM&DEs and an increase in international finance flows to net-zero aligned or transitioning entities and assets in EM&DEs.

AFRICA REGIONAL NETWORK

Launch of the GFANZ Africa Network

Climate change poses both a significant challenge and a growth and sustainable development opportunity for African countries. Despite its vast potential, a large part of the African continent has been left out of the energy transition to date, with just 2% of global investments in renewable energy in the last two decades made in Africa, and significant regional disparities.³³

To support climate finance in Africa, GFANZ announced the formation of its Africa Network and the creation of an Advisory Board to bolster transition finance opportunities on the continent in September 2022 at the International Cooperation Forum held in Cairo, Egypt. The Africa Network aims to unlock investment and support engagement with African financial institutions to ensure GFANZ work on net zero is inclusive and applicable to all.

The GFANZ Africa Network will work with African banks, asset owners and managers, insurers, and other financial institutions across the continent to support capacity-building on climate finance required to meet the unique needs of African institutions as the global economy transitions to net zero. The Network will work with policymakers, regulators, and multilateral development banks as it seeks to further its understanding of the country-specific conditions needed to enable and accelerate financial flows for climate investment opportunities across the continent.

Leadership

To amplify the Network's reach and provide strategic steer, the Africa Advisory Board was formed with leading representatives from climate and finance across the continent. Dr. Mahmoud Mohieldin, High Level Climate Action Champion of Egypt, COP 27, will serve as Advisory Board Chair, and Dr. Mohamed Farid Saleh, Chair of the Egyptian Financial Regulatory Authority, will serve as Vice Chair. They are joined by leaders in climate finance from private, public and civil society sectors, including:

- Hussein Abaza, CEO, CIB
- Ade Ayeyemi, CEO, Ecobank
- Hendrik du Toit, CEO, Ninety One
- Dr. Leila Fourie, CEO, Johannesburg Stock Exchange
- Dr. Frannie Léautier, CEO, South Bridge Investments
- Tariye Gbadegesin, CEO, ARM Harith Infrastructure Fund Managers
- Ms. Nezha Hayat, Chairperson and CEO, Moroccan Capital Market Authority
- James Irungu Mwangi, Executive Director, Dalberg and Founder, Climate Action Platform for Africa
- Mark Napier, CEO, FSD Africa
- Lesley Ndlovu, CEO, African Risk Capacity
- Arunma Oteh, Chairperson, Royal African Society
- Dr. Vera Songwe, Co-Chair of the High Level Expert Panel Group on Climate Finance

The Network is supported by global and regional partners. The headquarters of the UN Environment Programme in Nairobi, Kenya hosts the Network's office and its Regional Director. In the future, GFANZ and the Africa Network plan to develop country chapters with offices across the continent to support local engagement and implementation.

³³ [International Renewable Energy Agency](#).

ASIA PACIFIC REGIONAL NETWORK



Launch of GFANZ Asia Pacific Network

Unlocking investment in low carbon and renewable energy in the Asia Pacific region is critical if the world is to limit global temperature rise. According to the Race to Zero campaign, \$13.6 trillion in investment is required in Asia Pacific this decade to advance the global net-zero transition and avoid the worst impacts of climate change.

To accelerate these and other efforts, GFANZ launched its Asia Pacific (APAC) Network in June 2022 to support engagement with financial institutions and policymakers across the region, incorporating feedback and ensuring its work on net zero is inclusive and applicable to all. The

Network will enable mutual knowledge-sharing and open dialogue on the opportunities and challenges of net zero, to ensure a truly global green transition.

Leadership

To amplify the Network's reach and provide strategic steer, the APAC Advisory Board was formed with leading regional figures from climate and finance.

Ravi Menon, Managing Director of the MAS and chair of the Network for Greening the Financial System (NGFS), chairs the Advisory Board and is joined by leading experts on climate finance from both private, public, and civil society sectors.

- Woochong Um, Managing Director General, Asia Development Bank (ADB)
- Liqun Jin, President & Chair of Board of Directors, Asian Infrastructure Investment Bank (AIIB)
- Anna Skarbek, Chief Executive Officer, Climateworks Centre
- Dr Febrio Kacaribu, Chairman, Fiscal Policy Agency (Indonesia)
- Dr Jongkyoo Yoon, Chairman & Chief Executive Officer, KB Financial Group
- Loh Boon Chye, Chief Executive Officer, Singapore Exchange
- Hiro Mizuno, UN Special Envoy on Innovative Finance and Sustainable Investments

The Network is led by GFANZ APAC Managing Director, Yuki Yasui. Yasui was previously the APAC lead for the United Nations Environment Programme Finance Initiative (UNEP FI). Over her 20-year tenure at UNEP FI, she represented the organization at all three major sustainability reporting initiatives (GRI, IIRC and SASB) and led the development of various climate change curriculum for the finance sector.

Key Milestones



APAC continues to be a growth region for GFANZ — membership in APAC grew by 40% over the last nine months to hit 71 members, spanning both developed (e.g., Australia, Japan, etc.) and emerging markets (e.g., Bangladesh, Malaysia, Greater China, etc.)

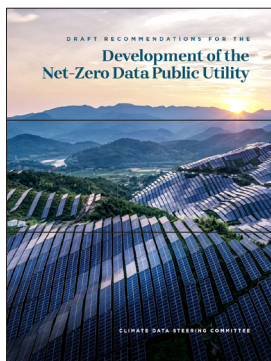
The APAC Network has translated key GFANZ research and outputs into local Asian languages, and supported in-country consultation outreach webinars that saw over 170 participants from Japan and Korea.

Core regional knowledge gaps have also been identified and are beginning to be addressed. From a transition planning perspective, the APAC Network launched a three-part knowledge sharing series aimed at improving the capabilities of regional financial institutions around net-zero ambition setting and target setting. From a capital mobilization perspective, the APAC Network launched a regional workstream on the managed phaseout of coal power generation to develop voluntary guidance for financial institutions on what a credible, viable and inclusive coal managed phaseout looks like in the APAC context.

6. Climate Data Steering Committee

Data availability and quality remain major challenges for organizations seeking to understand their current greenhouse gas (GHG) emissions, set science-based emissions reduction targets, and develop and implement net-zero transition plans to translate their commitments into action. In response to these challenges, in June, Mike Bloomberg and President Macron announced the creation of a Climate Data Steering Committee (CDSC) to advise on the creation of an open-data utility that would collect, aggregate, and standardize climate transition data needed to track progress toward net zero.³⁴ The CDSC is chaired by Mary Schapiro and brings together individuals from international organizations, regulators, global standard setters, policymakers, and data service providers. The CDSC will also consult with leading non-profit climate data organizations and technical experts

Progress to date



In September 2022, the CDSC released a whitepaper outlining its proposed Recommendations for the Development of the “Net-Zero Data Public Utility”

or NZDPU, an industry utility that will provide a centralized repository of key climate transition-related data to allow all stakeholders to easily access and interpret climate commitments and actions taken. The CDSC held a four-week public consultation.

Following the public consultation, the CDSC will release its final version of the **Recommendations for the Development of the Net-Zero Public Utility** in November 2022. The report will outline the Committee’s recommendations for the development of an open data utility for climate transition-related data: the Net-Zero Data Public Utility (the Utility or NZDPU).

In the draft whitepaper, the CDSC has recommended the following product vision for the NZDPU pilot:

- The NZDPU aims to become a trusted central source of verifiable data. The NZDPU will initially focus on standardized direct (Scope 1) and indirect (Scope 2 and 3) gross and net entity-level GHG emissions data. This will include target and carbon credit data.
- The NZDPU’s flexible data model will be designed to augment transparency and, through coordination with policy-oriented bodies, will seek to harmonize the data it offers with existing and future regulatory requirements.
- Data and statistical classifications will be open and available to the public, for all use cases, at no charge. The NZDPU will be operated for the sole purpose of providing the data and transparency needed to facilitate the transition to net zero.

³⁴ [French President Emmanuel Macron and UN Secretary General’s Special Envoy for Climate Ambition and Solutions Michael R. Bloomberg Announce a Climate Data Steering Committee to advise how to Capture and Create Open, Centralized Climate Data to Accelerate the Transition Towards a Resilient, Net Zero Global Economy](#). 3 June 2022.

The CDSC recommends the Utility be designed to be built as part of ongoing enhancements to the United Nations Framework Convention on Climate Change (UNFCCC)'s Global Climate Action Portal and will therefore also support increased integration of private sector commitments and actions. It is anticipated that a pilot version of the NZDPU will be released in the second half of 2023.

The recommended utility would complement existing and potential upcoming mandatory disclosure initiatives from the public sector, build on the crucial work of existing providers, and would be accessible to both commercial and noncommercial users to ensure a consistency in data, analytics, and derived content.

As the pilot is developed, the CDSC will host various focus groups to gather feedback from a diverse array of market participants who will be using the Utility, including financial institutions, corporates, and assurance providers.

When completed, the CDSC hopes the Utility will support efforts in developing and developed nations to enhance transparency and bring accountability around business climate action commitments by the private sector, and be available to the market, regulators, climate scientists, and civil society.

7. Energy Transition

Achieving net zero emissions by 2050 will require rapid decarbonization economy-wide. In no sector is this decarbonization more important than energy. Today, the energy that keeps our lights on, heats our homes, transports our goods, and fuels their production accounts for around three quarters of global carbon emissions.³⁵ Current investments in clean energy and efficiency infrastructure hover around \$1 trillion annually. To limit global warming to 1.5 degrees C, the International Energy Agency has found that these clean energy investments must rise to over \$4 trillion by the end of this decade.³⁶

This dramatic increase in clean energy financing cannot come from governments alone. The energy transition will depend on proactive engagement and support from private financial institutions.

As the world's largest coalition of financial institutions committed to net zero, GFANZ is working to assess the role of the financial sector in helping catalyze the energy transition, including working with other organizations to better understand the levels of energy investment needed to enable the transition.

In October, BloombergNEF released a report commissioned by GFANZ on the ratio of clean energy investment to fossil fuel investment—as implied by internationally accepted climate scenarios that limit warming to 1.5 degrees C.



BloombergNEF found that, by the end of this decade, society—including governments, corporates, and financial institutions—needs to scale clean energy investment such that for every dollar invested in maintaining fossil fuel energy capacity, at least four are invested in clean energy infrastructure.³⁷

Through this research, we hope to provide financial institutions with greater clarity on the energy transition's challenges and opportunities. Our analysis can equip private finance with additional metrics and targets to track progress on clean energy deployment and fossil fuel retirement, complementing our work on sectoral pathways for oil and gas and managed phaseout of high-emitting assets. This work ultimately serves GFANZ's underlying goal: to drive real-world emissions reduction on a path to net zero emissions by 2050.

³⁵ Our World in Data, [Emissions by Sector](#).

³⁶ International Energy Agency, [World Energy Outlook 2021](#).

³⁷ BloombergNEF, [Investment Requirements of a Low-Carbon World: Energy Supply Investment Ratios](#).

The Road Ahead



GFANZ initiatives and publications in 2022 represent the first of many steps towards supporting the financial sector in catalyzing the global transition to net zero. While 2021 and 2022 were primarily focused on commitments and providing the pan-sector frameworks and guidance to operational these commitments, 2023 will be a year of action.

GFANZ is committed to working with the sector-specific alliances and members, and a broad array of groups in the net-zero ecosystem, including private financial institutions, technical NGOs, research institutions, advocacy groups, governmental organizations, international bodies, and others, in our efforts to mobilize the private and public sector and enable the global transition to net zero. Looking forward, GFANZ will build upon its efforts to date and continue to work with our partners to address pan-financial sector challenges associated with the net-zero transition, helping to support high levels of ambition and credible action. GFANZ will continue to support the alliances and provide a forum for the financial

community to collaborate with global experts from the scientific community, the official sector, and civil society to develop the global tools, data, and methods needed to implement these commitments. In addition, GFANZ efforts to support capital mobilization to EM&DEs will be strengthened through our newly established regional networks and we will continue to work with global policymakers to advocate for the required mechanisms and supporting policies to enable the transition to net-zero.

GFANZ recognizes the need for other actors in the ecosystem to contribute to this effort, including through more granular and fit-for-purpose sectoral pathways; higher-ambition public policy (e.g., climate disclosure including of transition plans, and clarity on national plans to transition specific sectors to net zero); higher-ambition action by the real economy (e.g., accelerated uptake of emerging technologies, adoption of robust transition plans); and the development of relevant methodologies and accounting practices (e.g., insured emissions and disclosure of relevant assumptions).

APPENDIX

GFANZ Community of Finance-sector Alliances

	MEMBERSHIP AND SIGNATORIES	COMMITMENT
Net Zero Asset Managers initiative (NZAM)	Refer to https://www.netzeroassetmanagers.org/signatories/	https://www.netzeroassetmanagers.org/commitment/
Net-Zero Asset Owners Alliance (NZAOA)	Refer to https://www.unepfi.org/net-zero-alliance/alliance-members/	https://www.unepfi.org/wordpress/wp-content/uploads/2022/07/AOA-COMMITMENT-DOC-2022.pdf
Net-Zero Banking Alliance (NZBA)	Refer to https://www.unepfi.org/net-zero-banking/members/	https://www.unepfi.org/net-zero-banking/commitment/
Net-Zero Insurance Alliance (NZIA)	Refer to https://www.unepfi.org/net-zero-insurance/members/	https://www.unepfi.org/psi/wp-content/uploads/2021/07/NZIA-Commitment.pdf
Net Zero Investment Consultants Initiative (NZICI)	Refer to https://www.unpri.org/signatories	https://www.unpri.org/download?ac=14611
Net Zero Financial Service Providers Alliance (NZFSPA)	Refer to https://www.netzeroserviceproviders.com/signatories/	https://www.netzeroserviceproviders.com/our-commitment/
Paris Aligned Asset Owners (PAAO)	Refer to https://www.parisalignedinvestment.org/signatories/	https://www.parisalignedinvestment.org/media/2021/03/PAIL-Net-Zero-Asset-Owner-Commitment-Statement.pdf

For more information, please visit gfanzero.com