

NET-ZERO ASSET OWNER ALLIANCE

Financing Transition – All Members Call

August 17th 2022



Agenda

1. Updates from Working Groups

1. Climate Solutions Platform – ESG Book
2. Reporting and Target Setting Working Group
3. Blended Finance Working Group
4. Emerging Market Transition Investment Project – Discussion paper
5. Climate Benchmark working group - Climate Benchmark Call to Action

2. Target Setting Protocol v3 – Financing Transition Section

Update: Climate Solutions Platform – ESG Book



FILTER BY CLIMATE KPIs:

CARBON FOOTPRINT TOTAL 	WEIGHTED AVERAGE CARBON INTENSITY 	FOSSIL FUEL REVENUE %
RENEWABLE ENERGY CONSUMPTION 	CLIMATE SOLUTIONS REVENUE % 	FOCUS OF FUND

FILTER BY SOLUTIONS:

ELECTRICITY 	FOOD, AGRICULTURE, AND LAND USE
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Investment Products

Filter

1) Climate Solution

Threshold: 0.50

4) VAT (% of Fundweight)

Threshold: 0.50

7) Coverage (high/medium/low)

2) Total Emissions

Threshold: 0.50

5) GHD

Threshold: 0.50

3) Share of Renewable Energy Consumption

Threshold: 0.50

6) Forward Alignment

- 1) Policy
- 2) Target Green Revenues
- 3) Target SBTi
- 4) Target Performance 5yrs
- 5) Reporting Externally
- 6) Controversies /Penalties

Name

Ticker

Country

Sector

Region

Industry

Rank

WACI

Name	Ticker	Country	Sector	Region	Industry	Rank	WACI
<input type="checkbox"/> Green Future Investment Fund		United States	Construction Materials	North America	Food, Beverages & Dairy	5	0.1
<input type="checkbox"/> Renaissance USF		United Kingdom	Health Care	Europe	Specialty Retail	6	0.18
<input type="checkbox"/> Green Strategic Bond		Spain, France, Germany	Construction Materials	EMEA	Food, Beverages & Dairy	6	0.2
<input type="checkbox"/> Green Future Bond		USA, Canada	Health	North America	Food & Beverage Retailing	6	0.2
<input type="checkbox"/> Renaissance US & Int'l Strategic Bond		United States	Technology Services	North America	Electronic Technology Services	6	0.21
<input type="checkbox"/> Green Future Int'l Strategic Bond		United States	Health	North America	Pharmaceuticals	6	0.23
<input type="checkbox"/> Renaissance Europe Int'l Strategic Bond		Canada	Energy Utilities	North America	Oil & Gas Production	7	0.25
<input type="checkbox"/> Green Future Strategic		United States	Health	North America	Health Care	8	0.28

Select a Portfolio
Portfolios

INRG

Comparison Universe

S&P500

Overview

INRG



S&P500



Fund Weighted Average Carbon Intensity
(Million \$ Revenue/t)



INRG

S&P

Sector Average Weighted Average Carbon Intensity
(Million \$ Revenue/t)



INRG

S&P

ADDITIONAL INFO LISTED

- Asset Manager: XYZ
- Fund Type: XYZ
- Region: XYZ
- Currency: XYZ

Select a Portfolio
Portfolios

Comparison Universe

INRG



S&P500



Overview

Proportion of Green Revenues (%)



Fossil Fuel Involvement



INRG



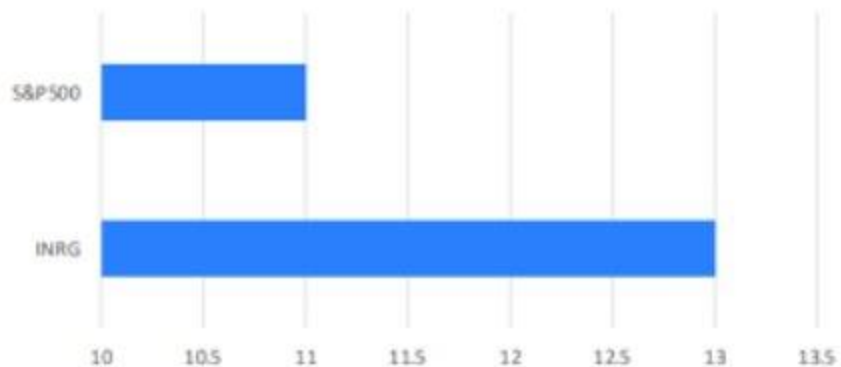
S&P500

Energy Consumption (GW)

Total	160000
Average (S&P)	23526
Average (INGR)	2117
Renewable	21200

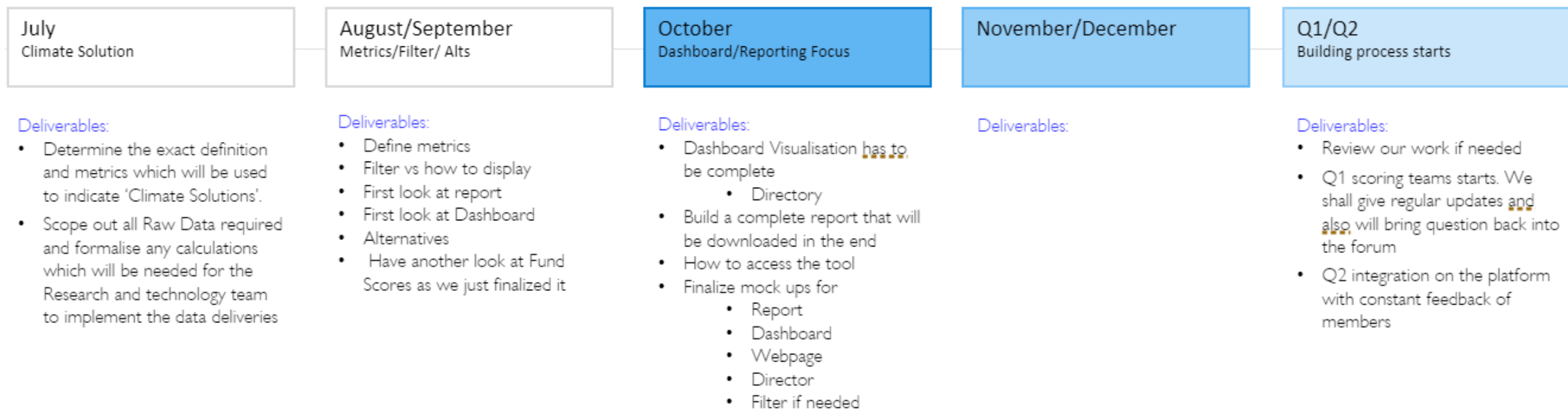
Energy Consumption
13.3% Disclosed

Proportion of Renewable Energy Consumed (%)



Update: Climate Solutions Platform – ESG Book

ESG Book- NZAOA Timeline



Update: Reporting and Target Setting Working Group

- New working group set-up
- Meeting bi-weekly, alternating between European mornings and afternoon
- Discussing FinTrack target setting and climate solution reporting
- Next steps:
 - Finalizing input to TSPv3
 - Working on an appendix for the TSPv3
 - What is a climate solution, what is “green”, what is a “transition enabling investment”?
 - What is a “substantial contribution”
 - Review the reporting template

Update: Blended Finance Working Group

- **Call on Policy Makers to support Scaling Blended Finance**
 - Now with all NZAOA main contacts for alignment
 - Deadline for feedback 24th of August
 - Then final alignment with Steering Group
 - Publication planned mid/end of September
 - Will other investor groups co-sign?
- **High-Level event “Implement. Scale. Accelerate. Unlocking the Potential of Blended Finance” 5th of October**
 - Public virtual event
 - Finalizing keynote speakers and panelists
 - Send out save the date beginning of September

Emerging Markets Transition Investment project

August 2022

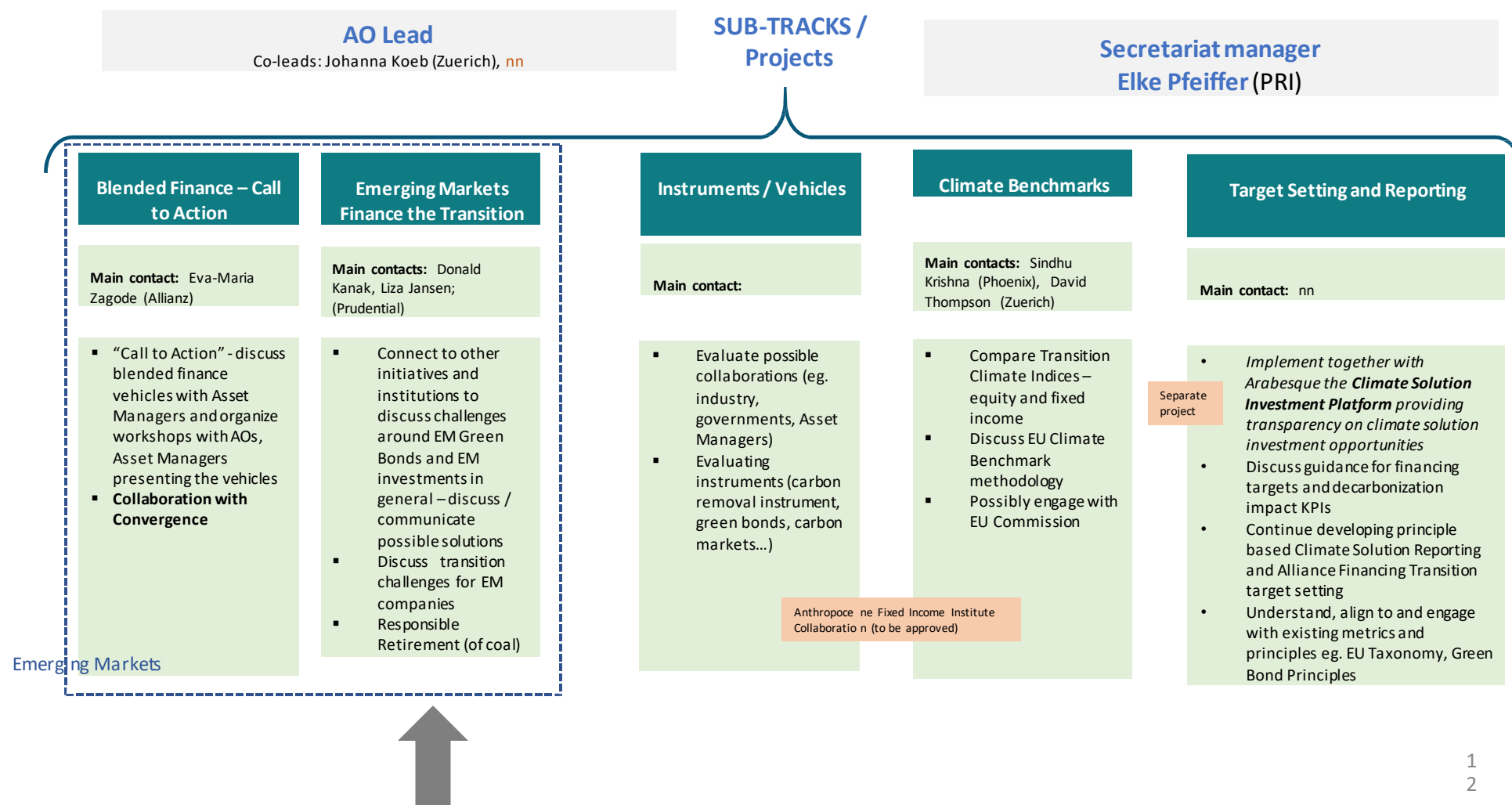
UN-convened Net-Zero
Asset Owner Alliance

 **SDIP** Sustainable Development
Investment Partnership

 **EU-ASEAN**
BUSINESS COUNCIL

Recap update from 28 April Members Call

1. Financing Transition Track - Update



2. Update Emerging Market Transition Investment (EMTI)

Working Group Leads: Don Kanak & Liza Jansen (Prudential)

Working collaboratively with SDIP* and EU-ASEAN Business Council. **Aim: Conduct webinars on bridging emerging market and developed market perspectives on net zero and transition investment and Roundtables of Experts to develop proposals for short term action**

- Webinar held on 11 April, focusing on ASEAN (details and recording on next slide)
- Two more webinars are planned in 2022, focusing on Africa & India. [Do you have suggestions for expert speakers?](#)

Roundtables workshops (90 mins, Chatham House Rules, Expert senior participants, focused on 18-24 months action timeframe)

- First Roundtable: **Green/transition/sustainability-linked bonds in emerging markets.**
10 June 4-5.30pm
- Second Roundtable: Planned 1st week of October will focus on best practices and needed progress on Corporate Engagement by AOs/AMs in EMDEs.
- Likely Third Roundtable in 2022: Transition challenges for high-emitting industries operating in EM. Possibly Roundtables on metrics for EM/FM transition

Funding from NZAOA for **technical consultant to write-up insights** and circulate among stakeholders after RT One

* SDIP is the Sustainable Development Investment Partnership, a multistakeholder effort started in 2015 by the World Economic Forum and OECD. The World Economic Forum is Secretariat.

See the link below for First Webinar 11 April 2022

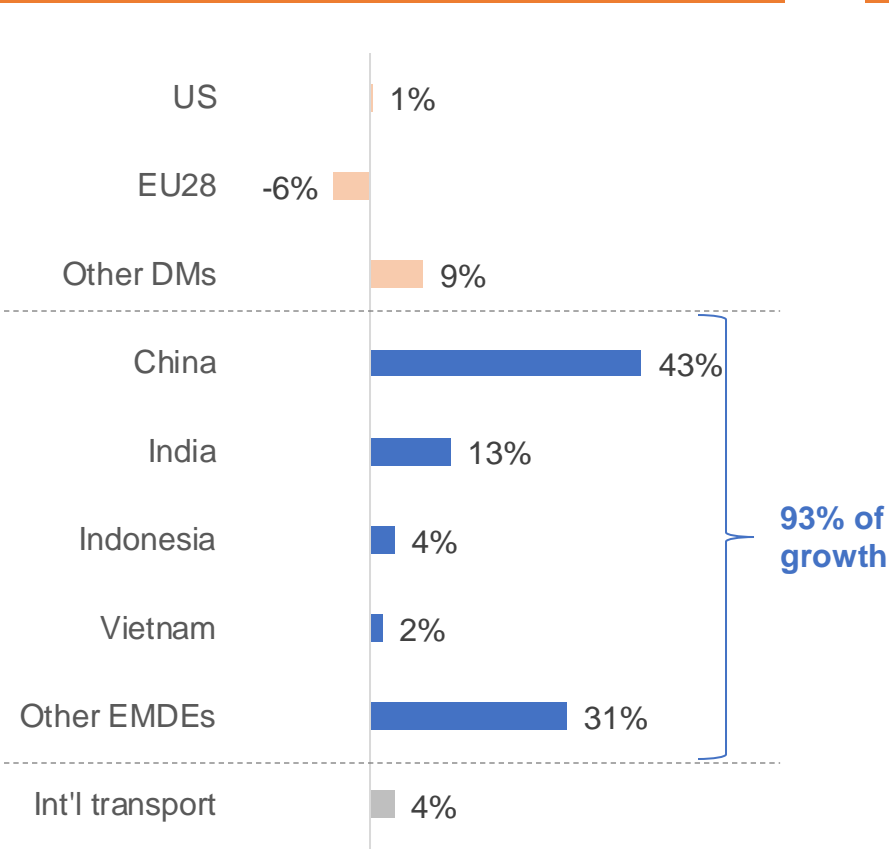
Webinar on “Financing of Net Zero Transition in Emerging Markets”

The graphic features a background of wind turbines against a sunset sky. At the top left, logos for EU-ASEAN, EU-ASEAN Business Council, UN-convened Net-Zero Asset Owner Alliance, and SDIP Sustainable Development Investment Partnership are displayed. The main title 'The Financing of Net Zero Transition in Emerging Markets' is prominently shown in white text, with the date and time 'April 11, 2022, 4pm (SGT)' below it. The event is structured into several segments: Opening Remarks by Donald Kanak (Chairman of EU-ASEAN Business Council); Keynote Speech by H.E. Dr. Aun Pormmoniroth (Deputy Prime Minister & Minister for Finance & Economy, Cambodia); and a Moderator, Sean Kidney (CEO, Climate Bonds Initiative). A 'Speakers' section on the right lists Wempi Saputra (Assistant Minister of Macroeconomy and International Finance of Indonesia), Ritu Arora (CEO and CIO of Asia, Allianz IM), Reynaldi Hermansjah (CEO, Indonesia Infrastructure Finance), Ramesh Subramaniam (Director-General, South-East Asia Department, Asian Development Bank), and Daniel Purba (SVP Investment & Strategy, PT Pertamina). At the bottom left, 'Supporting Partners' include eurocham INDONESIA, EUROCHAM MALAYSIA, and eccp.

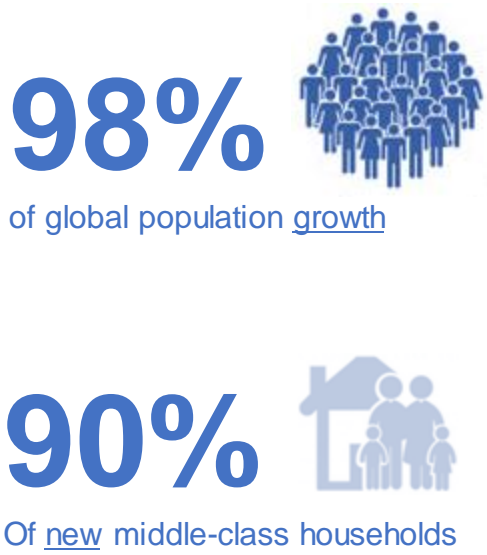
Recording available here: <https://youtu.be/zqsjnI05wI4>

EMDEs account for less than a third of historical GHG emissions, over 60% of current emissions and over 90% of growth in emissions

Contribution to GHG growth (2009-2019)



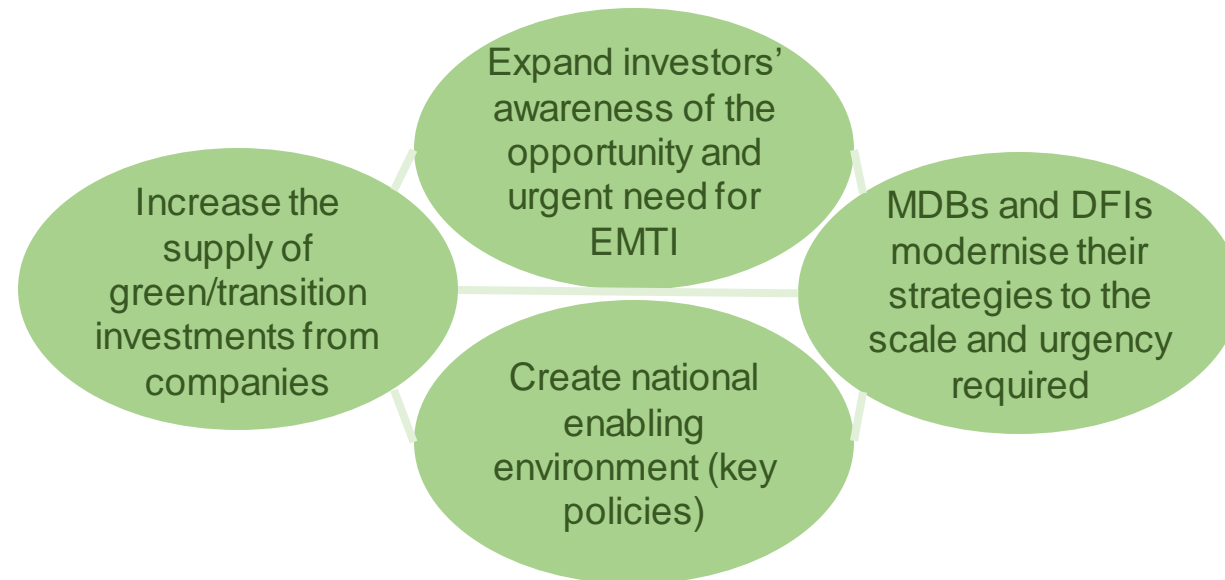
EMDEs 2020-2030



Source: Olivier J.G.J. and Peters J.A.H.W. (2020), Trends in global CO2 and total greenhouse gas emissions: 2020 report. Report no. 4331. PBL Netherlands Environmental Assessment Agency, The Hague.; United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects 2022, Online Edition; Homi Kharas. "The Unprecedented Expansion of the Global Middle Class – An Update". Global Economy and Development at Brookings. Feb 2017

IEA projects need for 6X annual spending to \$1T per year for EMDE clean energy by 2030

Scaling EMTI requires rapid progress on four themes



Recommendation along four themes - detailed

Theme 1: Expand investors' awareness of the opportunity and urgent need for EMTI

- a) Make sure that all work on regional and national taxonomies urgently addresses transition investing, and sets a path with climate and social goals that are appropriate for EMDEs
- b) Develop additional financial metrics that eliminate unintended negative impacts on transition investing, or that encourage it
- c) Designate differentiated capital treatment to guide responsible transition lending and investment to support EMDEs' real economies

Theme 2: Increase the supply of green/transition investments from companies

- a) Require all public companies and state-owned companies to disclose Scope 1 and 2 metrics within 2 years, and require large companies in key sectors develop and disclose transition plans
- b) Provide subsidies and incentives and reduce "friction cost" of green/transition bond issuance

Recommendation along four themes - detailed

Theme 3: MDBs and DFIs adjust their strategies to meet the scale and urgency of the transition challenge

- a) Share project performance, credit and emissions data
- b) MDBs/DFIs adopt “originate, bundle and distribute” model
- c) Support creation of “National Transition Investment Facilities” (NTIFs) in EMDEs
- d) MDBs and DFIs should redouble efforts to develop and deploy de-risking tools to crowd in private sector capital at scale to manage currency, political, operational risks

Theme 4: Promote regulations and policies that support achieving NDCs, including sector decarbonization pathways, carbon pricing and incorporating sustainable finance principles into mainstream financial architecture

- a) Deliver clear sector decarbonisation transition pathways for high emission sectors, starting with energy, utilities, manufacturing and transport
- b) Establish national carbon price regimes with clear timetables for implementation and escalation so that businesses have time and incentive to plan, finance and execute just transition plans
- c) Build upon the momentum of green and social bonds by incorporating sustainable finance principles into mainstream financial regulations and markets

Next steps

- Finalise Discussion Paper (from Roundtable 1 + Research)
- Hold Roundtable 2: “Engagement in EMs” (1st week October)
- Webinar 2: Net Zero/Africa (late September/early October)

Call to Action for Asset Owners to use Climate Benchmark and develop them in collaboration with Index Providers

Nine Key Principles



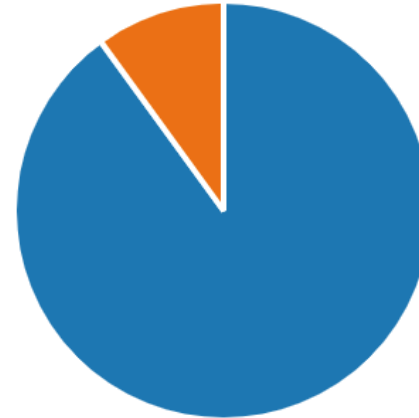
1. **Transparency** in methodology and design
2. **Starting point of decarbonization “today”** – avoiding de facto base-line exclusions of hard-to abate sectors
3. **Reduce emissions in line with a 1.5C trajectory** taking into account companies with credible transition plans
4. **No mechanical exclusion of high-emitting sectors (except coal)** – rather tilt the weights in favour of the decarbonization leaders
5. **Key metrics to be comparable to the parent index**, tracking should be practical
6. **Different speed of decarbonization** for different sectors and geographies
7. **Forward looking indicators** are a key input in the decarbonization process
8. Benchmark universes need to **report on climate KPIs**
9. Engage with data providers directly and indirectly to get **complete and accurate data**

Survey results: Target Setting Protocol V3 – FinTrack section

4. Acknowledge “Transition enabling investments” as a “Climate Solution” - do you agree?

[More Details](#)

 Insights



Comments from members that voted 'No':

- Already covered by the EU Taxonomy
- Agree to include, if it makes it relevant for non-EU asset owners

Survey results: Target Setting Protocol V3 – FinTrack section

6. Do you agree to the definition of “Transition enabling investments”: “Transition enabling investments are companies (respectively their revenue share) which are aligned as a company to net zero by 2050 and producing products enabling the transition (eg. heat pumps, energy management or storage systems, isolation material for buildings) or financing of respective projects (eg. investments in transmission lines).”

[More Details](#)

 Insights



Comments from members that voted 'No':

- Suggestion to delete 'by 2050', since some members might be/invest under jurisdictions, which are not aligned with net-zero by 2050.
- Support the AOA’s stance on welcoming various approaches (beyond the EU Taxonomy).

Survey results: Target Setting Protocol V3 – FinTrack section

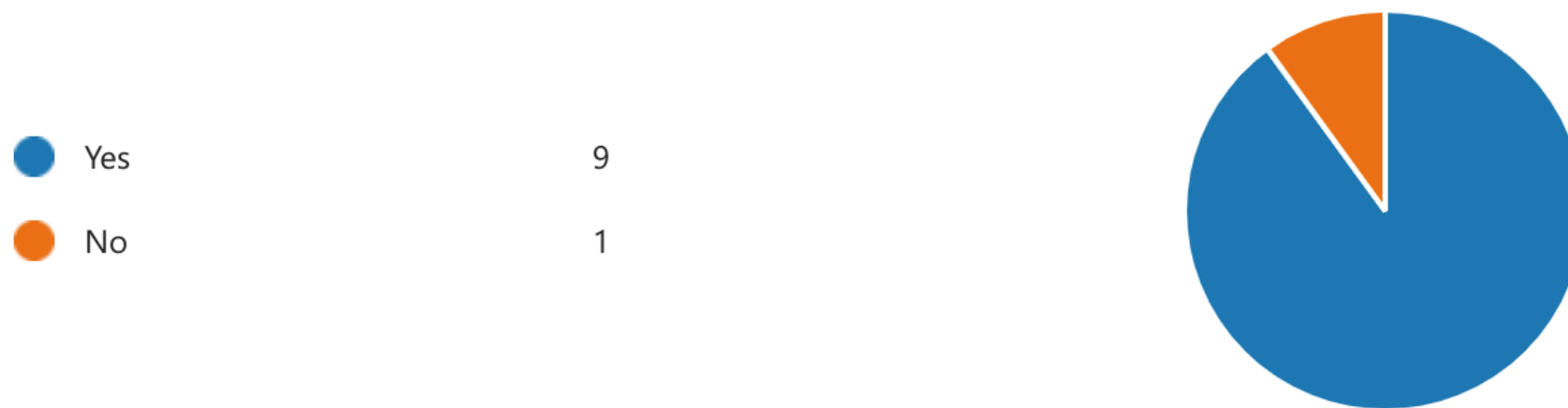
Comments from members that voted 'No':

- Heat pumps are not a good example, since it also avoids emissions.
- Unsure if Net Zero alignment should be mentioned in this context in order to count these investments.
Suggestion to put this as engagement focus.
- Services should be included as well.
- More specification to what reporting on transition enabling investments means.

Survey results: Target Setting Protocol V3 – FinTrack section

8. As the NZAOA doesn't give any guidance we delete "Reporting on impact KPIs is recommended". Do you agree?

[More Details](#)



Comments from members that voted 'No':

- Volunteer disclosure should be encouraged, which could help the industry to build a common understanding on impact measurement.

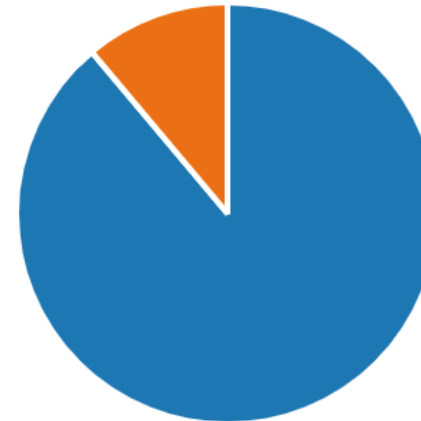
Survey results: Target Setting Protocol V3 – FinTrack section

10. Do you in general agree to the edits in the word document “20220726_FinancingTransition Chapter_TSPV3_proposal”?

[More Details](#)

 Insights

 Yes	8
 No	1



Comments from members that voted 'No':

- In general agreement, but request more specific clarification on the topics.

Climate Solution Target – input for TSP v3

Definition of “climate solution investments”

To enable consistency across the Alliance membership, a definition for “climate solution investments” has been established taking into account publicly available definitions:

Climate solution investments are investments in economic activities considered to contribute substantially

1. **to climate change mitigation** (solutions substantially reducing greenhouse gases by avoiding, removing emissions/by sequestering carbon dioxide already in the atmosphere). We also **acknowledge transition enabling investments** as climate change mitigation.

Transition enabling investments are assets / companies (respectively their revenue share) which are aligned as an asset / a company to net zero and producing products enabling the transition eg. energy management or storage systems, isolation material for buildings or financing of respective projects (eg. investments in transmission lines).

and

2. **to climate change adaptation** (where that activity substantially contributes to enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change).

Economic activities making a substantial contribution to these objectives must be assessed to ensure they do not cause significant harm to any other environmental or social objectives¹.

Climate Solution Target – input for TSP v3

Diagram V: Financing transition—target setting

Targets	<ol style="list-style-type: none">1 Report on progress on a climate-positive trend for all Alliance members— an individual public quantitative progress target is optional <p>AND</p> <ol style="list-style-type: none">2 Contributions to Alliance’s Financing Transition working or consultation groups
Reporting	<ul style="list-style-type: none">• Assets under Management of climate solution investments—portfolio revenue share in “green or enabling activities/products” for all asset classes, EU taxonomy compliant (optional)• Internal reporting for public aggregation of inventory (base year) and annual progress, as defined in the Protocol, is relevant for all members• Report on OECD and non-OECD countries (recommended)

APPENDIX

FinTrack Webinar calendar

Date	Time	Topic	Status
4/5/2022	5pm CET	PRI - Net-Zero investor targets & sector pathways: One Earth Climate Model	Recording available here
10/5/2022	4pm CET	Untangling carbon markets: How carbon allowances differ from offsets	Recording available here
24/05/22	1pm CET	Blended Finance: Call to Action - 3 Asset Managers present their vehicles	Recording available here
30/05/22	3pm CET	EU Climate Benchmarks with Andreas Hoepner	Recording available here
13/06/22	4pm CET	Carbon Dioxide Removals with Carbon Direct	Recording available here
21/06/22	4pm CET	Opportunities on the collaboration with Anthropocene Fixed Income Institute	Recording available here

Information sharing

- **New file sharing tool:** <https://www.unepfi.org/climate-change/united-nations-convened-net-zero-asset-owner-alliance/alliance-extranet/>
- Password: AOAprivate
 - Strictly confidential – only for Alliance members
 - Only download possible, no uploading