



UN-convened Net-Zero  
Asset Owner Alliance

# A Tool for Developing Credible Transition Plans

Public edition  
for asset owner  
pilot-testing

December 2023

## Disclaimer

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of a commercial company or product in this document does not imply endorsement by the United Nations Environment Programme or the authors. The use of information from this document for publicity or advertising is not permitted. Trademark names and symbols are used in an editorial fashion with no intention on infringement of trademark or copyright laws.

The views expressed in this publication are those of the authors and do not necessarily reflect the views of the United Nations Environment Programme. We regret any errors or omissions that may have been unwittingly made.

© Maps, photos and illustrations as specified

Cover image: [unsplash.com/@brianhuynh](https://unsplash.com/@brianhuynh)

Suggested citation: United Nations Environment Programme (2023). A Tool for Developing Credible Transition Plans: Public edition for asset owner pilot-testing. Geneva..

Production: UNEP Finance Initiative



# Contents

- Preface ..... iv
- Executive summary ..... v
- 1. **Transition plans overview** ..... 1
  - What is a transition plan? ..... 1
  - Why do transition plans matter? ..... 1
  - Comparing transition plan frameworks ..... 2
  - Examples of transition plan frameworks ..... 2
- 2. **Leveraging Alliance member activities to produce a transition plan** ..... 4
  - Transition planning approach ..... 4
  - Creating a transition plan ..... 5
- 3. **Key dependencies: what else is needed to prepare a transition plan?** ..... 28
  - From asset managers and investee companies ..... 28
- 4. **Evaluating transition plans** ..... 30
- 5. **Policy recommendations** ..... 32

---

# Preface

Transition plans are an important tool for accountability, transparency, and achieving a global net zero economy. Disclosing a transition plan can provide the relevant information for decision-making and can thus enable transformation for the reporting organisations, investors and lenders, policymakers, regulators, and the capital markets ecosystem as a whole.<sup>1</sup>

Asset owners have a dual role, as both preparers and users of transition plans. The dual role can come with its own sets of challenges, which this paper was created to address for the benefit of the Net-Zero Asset Owner Alliance (“the Alliance”) members.

As preparers of transition plans, asset owners are confronted with evolving guidance and standards that may create ambiguity around the process of transition planning. In response, this paper breaks down the steps to create a transition plan. Furthermore, it demonstrates to the Alliance members the preliminary work they have already done to create a transition plan as virtue of their membership. Thus, the paper maps the Alliance’s Target-Setting Protocol (TSP), publications, and governance structure against five common transition plan frameworks.

As users of transition plans, asset owners try to assess a plan’s credibility and impact. In the current absence of standardised reporting, this paper suggests the key areas that asset owners should examine to make useful decisions.

Given that the landscape of credible transition planning is evolving, the conclusions in this report should not be seen as immutable. In fact, new Alliance publications may also become relevant in transition planning. Therefore, Alliance members should view this paper as a starting point in the process of assessing and preparing transition plans, but should note that revisions to this paper may be needed in the future.

---

1 Transition Plan Taskforce (2023). *Disclosure Framework*. 11. [transitiontaskforce.net/wp-content/uploads/2023/10/TPT\\_Disclosure-framework-2023.pdf](https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf)

# Executive summary

This publication delivers the following i) it provides guidance on the possibilities of using Alliance member activities to produce a transition plan, ii) it highlights must-have elements of asset managers' and investee companies' transition plans from the user's perspective, and iii) it sets out recommendations for regulators.

The key points include:

- i. Transition plans are a welcome and necessary development to improve the quality of climate reporting and internal capacity of asset owners to implement net-zero commitments.
- ii. Transition planning is inherently interlinked with existing climate disclosure and target-setting requirements. The function of a transition plan is to explain an organisation's net-zero strategy and short-, mid-, and long-term targets—alongside the governance and implementation plan needed to achieve it.
- iii. There is a high degree of common topics with existing Alliance member activities, and these can be used to produce the majority of a member's transition plan.

Based on these key points, this paper makes the following recommendations:

- i. When preparing a transition plan, Alliance members should take the following steps.
  - a. **Identify** the most relevant transition plan framework for their organisation. Unless there is a bespoke national or regional regulation that they should follow, Alliance members can choose any credible framework.
  - b. **Review** existing climate disclosure and reporting.
  - c. **Build on** the requirements of the Alliance's TSP, positions, guidance, and other outputs; **map** these requirements against the selected transition plan framework to identify gaps between a member's existing reporting and the expectations of the chosen framework.
  - d. **Disclose** a transition plan. This may be either as a standalone report or integrated within a member's climate report. Members have discretion as to which of these approaches is best suited to their disclosure strategy.
- ii. There are a number of important elements that Alliance members should look for when assessing transition plans (such as those of asset managers and investee companies), including the following.
  - a. Operationalisation,
  - b. Metrics disclosure, and
  - c. Ongoing progress.
- iii. The Alliance supports promoting transition plan disclosures. In addition, the Alliance encourages standard setters and regulators to balance ambition and flexibility and work towards greater interoperability of transition plan frameworks. Alliance members' public policy engagement should be accountable, active, consistent, and transparent.

---

# 1. Transition plans overview

## What is a transition plan?

Transition plans are fundamental in catalysing the action needed to achieve a net-zero economy. They are time-bound action plans that outline how and organisation will pivot its existing assets, operations, and its entire business model towards a trajectory aligned with a fixed and defined target, such as achieving net zero greenhouse (GHG) emissions by 2050.<sup>2</sup> Transition plans provide explanations of both of how an organisation will meet its net-zero commitments and the key dependencies that underpin the implementation of its decarbonisation strategy.

For issuing organisations, a transition plan serves two main purposes. It is both a strategic planning tool which lays out targets to support the organisation's transition to net zero, and a practical action plan to achieve these targets. To be credible, a transition plan should be clear, targeted, time-bound, science-based, accountable, and credible.

## Why do transition plans matter?

Credible transition plans are an important prerequisite for capital allocation and climate risk management.<sup>3</sup> Transition planning and disclosure leads to clearer, more transparent communication, which can reduce the risk of market distortions. Without transparency, market actors cannot fully leverage their influence to reward environmental performance or generate efficiency gains and cost savings for companies within their value chain.<sup>4</sup>

Transparency also allows for verifiability and accountability from both internal and external audiences, leading to overall better decision making. Transition plans, allow an external audiences to more accurately understand the transition risk an institution might face due to its strategy, risk appetite, and risk management framework. They can also provide financial institutions with information on their counterparties' future trajectories, which can inform institutional operations.

---

2 The Net-Zero Asset Owner Alliance [NZAOA] (2022). Statement on The International Sustainable Standards Board (ISSB) Climate Exposure Draft. [unepfi.org/wordpress/wp-content/uploads/2022/07/NZAOA-statement-on-ISSB-exposure-annexe.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2022/07/NZAOA-statement-on-ISSB-exposure-annexe.pdf).

3 Bingler, J., Colesanti Senni, C., Fixler, D., Schimanski, T. (2023). *Net Zero Transition Plans: Red Flag Indicators to Assess Inconsistencies and Greenwashing*. [wwfint.awsassets.panda.org/downloads/red-flag-indicators-for-transition-plan-inconsistencies-and-greenwashing-26-sept.pdf](https://www.fint.awsassets.panda.org/downloads/red-flag-indicators-for-transition-plan-inconsistencies-and-greenwashing-26-sept.pdf).

4 European Commission (2023). Proposal for a Directive of the European Parliament and of the Council on Substantiation and Communication of Explicit Environmental Claims (Green Claims Directive). [eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A0166%3AFIN](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A0166%3AFIN).

Transition plans can also be an important guidance and oversight tool for regulators and policymakers. Increased knowledge about institutions' climate action can lead to easier identification of the economy's likely transition pathway, which has important implications for financial stability.

## Comparing transition plan frameworks

Transition plan frameworks are broadly similar. They share common objectives to enhance transparency and provide information to shareholders, investors, and other audiences about an organisation's transition strategy. They also provide credibility for organisations' net-zero and transition related commitments.<sup>5</sup> Moreover, they help disclose ambition and provide guidance on the actions and targets needed to help organisations meet their goals in the short-, medium-, and long-term.

The points on which transition plans tend to differ include ambition level, sectoral or geographic focus, presentational structure, and broader considerations such as adaptation and interdependencies or interactions with the natural environment and the wider society.

- **Level of ambition:** Frameworks differ in both whether they recommend a level of ambition and where they set that level. Alliance members should have a clear level of ambition for their investment portfolio that is aligned with achieving net zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels.
- **Sectoral or geographic focus:** Some transition plan frameworks are created with specific sectors, players, or geographies in mind. Thus, certain frameworks may be more tailored to local circumstances.
- **Presentational structure:** Different frameworks recommend different ways to present and disclose information. Regardless of the chosen presentational structure, Alliance members should ensure their reports are clearly readable, understandable, and compliant with the requirements of the selected framework.
- **Broader considerations:** Some frameworks recognise successful delivery of climate ambitions as dependent on broader factors and feature expanded on adaptation, nature and just transition expectations.

## Examples of transition plan frameworks

Since gaining traction, several industry and regulatory transition plan frameworks focusing on different preparers, use cases, assessment lenses, and geographies have emerged. This report will be focusing on five frameworks selected for their robustness and applicability to Alliance members.

---

5 Network for Greening the Financial System (2023). *Technical document*. 11. [ngfs.net/sites/default/files/stock-take\\_on\\_financial\\_institutions\\_transition\\_plans.pdf](https://ngfs.net/sites/default/files/stock-take_on_financial_institutions_transition_plans.pdf).

## The five frameworks include

- The Corporate Sustainable Reporting Directive (CSRD)'s Transition Plan Disclosure Framework
- The Glasgow Financial Alliance for Net Zero Net Zero Transition Plan (GFANZ NZTP),
- The UN High-Level Expert Group on Net-Zero Emissions Commitments of Non-State Entities (HLEG)'s Recommendation 4
- Task Force on Climate-Related Financial Disclosures (TCFD) and
- The United Kingdom Transition Plan Taskforce (TPT).

These frameworks were chosen based on the best available information at the time of publication. CSRD was chosen as it is an example of strong climate disclosure expectations. HLEG was chosen to show the expectations of credible commitments. GFANZ NZTP was chosen as a global framework for the financial sector. TCFD was chosen as it has been used as the basis for most ensuing transition plan frameworks. TPT was chosen as an example of a transition plan created by an industry-led taskforce focused on standard setting.

Additional frameworks are currently being developed that may become relevant for Alliance members, such as the Guidelines for Financial Institutions on Transition Planning for a Net Zero Economy from the Monetary Authority of Singapore.<sup>6</sup>

---

6 For more information, please refer to the Monetary Authority of Singapore (2023). *Guidelines for Financial Institutions on Transition Planning for a Net Zero Economy*. [mas.gov.sg/news/media-releases/2023/mas-proposes-guidelines-for-financial-institutions-on-transition-planning](https://www.mas.gov.sg/news/media-releases/2023/mas-proposes-guidelines-for-financial-institutions-on-transition-planning).



---

## 2. Leveraging Alliance member activities to produce a transition plan

The Alliance does not currently provide an explicit framework for transition plans. However, Alliance member activities, as described below, correspond to and overlap with core elements of common transition plan frameworks. As a result, Alliance members already have a strong foundation to develop their organisations' transition plans.

Members of the Alliance commit to tracking and communicating on progress to net zero by implementing the TSP; complying with the Alliance positions (or explaining why they cannot do so); and supporting and leading parts of the Alliance's governance bodies.<sup>7</sup> The holistic role Alliance members play in the Alliance will be referred to as "Alliance member activities" for the rest of this paper.

While financial institutions have Scope 1 and 2 emissions that should be managed, their most material emissions are Scope 3. Alliance member activities cover key themes found in many transition plan frameworks, such as strategy, target setting, reporting, and engagement for Scope 3 investments. Other elements of the value chain, such as Scope 1 and 2 operations and Scope 3 products and services, are out of scope.

Thus, Alliance member activities alone cannot be used to fulfil all of the requirements for every transition plan framework. Gaps are noted in the frameworks discussed below.

### Transition planning approach

While creating a transition plan, it is recommended that Alliance members take the following steps.

- i. Identify which transition plan framework is most relevant to their organisation. If there is an applicable regulatory framework where an Alliance member is based, it should be followed. Otherwise, Alliance members can choose to follow any credible framework.
- ii. Review existing climate disclosure and reporting.
- iii. Build on and map the requirements of the Alliance's TSP, positions, guidance, and other outputs against the selected transition plan framework. Identify gaps between their existing reporting and the expectations of the selected framework.

---

<sup>7</sup> NZAOA (2022). *Commitment Document for Participating Asset Owners*. [unepfi.org/wordpress/wp-content/uploads/2022/07/AOA-COMMITMENT-DOC-2022.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2022/07/AOA-COMMITMENT-DOC-2022.pdf).

- iv. Prepare and disclose a transition plan. This may be either as a standalone report or integrated within a member's climate report. Members have discretion as to which of these approaches is best suited to their disclosure strategy.

## Creating a transition plan

The rest of this chapter provides information on five transition plan frameworks to help Alliance members follow the transition setting approach discussed.

### Corporate Sustainability Reporting Directive (CSRD)'s European Sustainability Reporting Standards (ESRS)

**Background:** On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force, which mandated social and environmental reporting according to the European Sustainability Reporting Standards (ESRS).<sup>8</sup> Within ESRS, disclosure requirement E1 outlines the transition plan disclosures requirements, with the goal of “enabl[ing] an understanding of the [company]’s past, current, and future mitigation efforts to ensure that its strategy and business model(s) are compatible with a transition to a sustainable economy.”<sup>9</sup>

ESRS’ disclosure requirement draws from existing discussions from the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) to ensure a high degree of interoperability between the EU and other global standards, so as to maintain consistency and ambition are assured, while reducing the reporting burden for companies.<sup>10</sup>

**Intended user of the framework:** This framework was developed as part of the European Green Deal and is applicable to large companies and listed SMEs in the EU.

**Mapping and limitations:** Alliance member activities can be used to partially respond to some ESRS disclosure requirements. See Table 1 for a full mapping.

The identified gaps can be addressed by TCFD-based reporting, assumed compliance by EU members with taxonomy and benchmark regulations, and additional research.

---

8 European Commission (n.d.). [finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)

9 EFRAG. (2022, p.6). *Draft European Sustainability Reporting Standards*. [efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F08%2520Draft%2520ESRS%2520E1%2520Climate%2520Change%2520November%25202022.pdf](https://efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F08%2520Draft%2520ESRS%2520E1%2520Climate%2520Change%2520November%25202022.pdf).

10 European Commission (2023). *The Commission adopts the European Sustainability Reporting Standards*. [finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31\\_en](https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en)

**Table 1: Mapping CSRD’s ESRS E1 to Alliance member activities<sup>11</sup>**

Disclosure Requirement E1—Transition plan for climate change mitigation		NZAOA Coverage?	Which NZAOA materials can be used?
Foundations	<p><b>1.5°C alignment</b></p> <p>By reference to GHG emission reduction targets (as required by Disclosure Requirement E1-4), an explanation of how the undertaker’s targets are compatible with the goal of limiting of global warming to 1.5°C;</p>	✓	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Chapter 1—The Alliance’s Commitment;</p>
	<p><b>Decarbonisation levers and actions</b></p> <p>By reference to GHG emission reduction targets (as required by Disclosure Requirement E1-4) and the climate change mitigation actions (as required by Disclosure Requirement E1-3), an explanation of the decarbonisation levers identified, and key actions planned, including changes in the undertaking’s product and service portfolio and its adoption of new technologies;</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Investment and funding plan</b></p> <p>By reference to the climate change mitigation actions (as required by Disclosure Requirement E1-3), an explanation and quantification of the undertaking’s investments and funding supporting the implementation of its transition plan. The explanation should include a reference to the key performance indicators of taxonomy-aligned CapEx, and where relevant the CapEx plans, that the undertaking discloses in accordance with Commission Delegated Regulation (EU) 2021/2178;</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Lock-in potential assessment</b></p> <p>A qualitative assessment of the potential locked-in GHG emissions from the undertaking’s key assets and products. This should include an explanation of how (and if) these emissions may jeopardise the achievement of the undertaking’s GHG emission reduction targets and drive transition risk, and if applicable, an explanation of the undertaking’s plans to manage its GHG-intensive and energy-intensive assets and products;</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>

<sup>11</sup> European Commission (2023). *Annex to the Commission Delegated Regulation supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards*. [ec.europa.eu/finance/docs/level-2-measures/csrd-delegated-act-2023-5303-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/csrd-delegated-act-2023-5303-annex-1_en.pdf)

Disclosure Requirement E1—Transition plan for climate change mitigation		NZAOA Coverage?	Which NZAOA materials can be used?
Foundations (continued)	<p><b>Taxonomy disclosures</b></p> <p>For undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEX, CapEX plans, OpEX) that the undertaking has for aligning its economic activities (revenues, CapEX, OpEX) with the criteria established in Commission Delegated Regulation 2021/2139;</p>	~	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Partially covered in Chapter 6—Climate solution investment targets.</p>
	<p><b>EU benchmark disclosures</b></p> <p>A disclosure on whether the undertaking is excluded from the EU Paris-aligned Benchmarks;</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Alignment with strategy &amp; operations</b></p> <p>An explanation of how the transition plan is embedded in and aligned with the undertaking’s overall business strategy and financial planning and whether it is approved by its administrative, management and supervisory bodies;</p>	~	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Partial coverage in Chapter 1—the Alliance’s Commitment;</p>
	<p><b>Reporting progress</b></p> <p>An explanation of the undertaking’s progress in implementing the transition plan.</p>	~	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Partially covered in Chapter 2—The scientific basis for establishing net-zero targets, which discusses reporting progress against targets.</p>

## Glasgow Financial Alliance for Net Zero's Net Zero Transition Plan Framework (GFANZ NZTP)

**Background:** GFANZ is a global coalition of leading financial institutions, which are committed to accelerating and mainstreaming the decarbonisation of the world economy and reaching net-zero emissions by 2050. To help coordinate a pan-sector effort, GFANZ brings together eight independent, sector-specific net-zero alliances, representing more than 650 members over 50 countries.<sup>12</sup>

In 2022, GFANZ developed a series of resources to support transition planning across the financial sector, including a report on net-zero transition plans.<sup>13</sup> The framework builds on existing work done by the Task Force on Climate-Related Financial Disclosures (TCFD), but has a stronger focus on implementation.<sup>14</sup>

**Intended user of the framework:** This framework was developed for all institutions in the global financial sector.

**Mapping and limitations:** Alliance member activities can be used to partially respond to most GFANZ NZTP pillars. See Table 2 for a full mapping.

Key gaps exist around the NZTP's governance sub-pillar, which covers both embedding accountability for net zero at a board level and developing capacity within relevant teams.

---

12 Glasgow Financial Alliance for Net Zero [GFANZ] (n.d.). About page. [gfanzero.com/about/](https://gfanzero.com/about/).

13 GFANZ (2022). GFANZ Releases Guidance on Credible Net-zero Transition Plans and Seeks Public Input to Accelerate Action. [gfanzero.com/press/gfanz-releases-guidance-on-credible-net-zero-transition-plans-and-seeks-public-input-to-accelerate-action/](https://gfanzero.com/press/gfanz-releases-guidance-on-credible-net-zero-transition-plans-and-seeks-public-input-to-accelerate-action/)

14 GFANZ (2023). Net-zero Transition Plan (NZTP) workshop. 25. [assets.bbhub.io/company/sites/63/2023/06/gfanz\\_workshop\\_introduction.pdf](https://assets.bbhub.io/company/sites/63/2023/06/gfanz_workshop_introduction.pdf).

**Table 2: Mapping GFANZ NZTP and Alliance member activities<sup>15</sup>**

GFANZ NZTP Pillars & Sub-Pillars		NZAOA Coverage?	Which NZAOA materials can be used?
Foundations	<p><b>Objectives and priorities</b></p> <p>Define an organisation's objectives to reach net zero by 2050 or sooner, in line with science-based pathways to limit warming to 1.5°C. State clearly-defined, measurable intermediate and long-term targets as well as strategic timelines to enable real-economy emissions reductions.</p>	✓	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Chapter 1—the Alliance's Commitment, which requires a clear articulation of a member's approach to net zero as an asset owner.</p>
	<p><b>Products and services</b></p> <p>Use both existing and new products and services to support and increase clients' and portfolio companies' efforts to transition in line with 1.5°C pathways.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> The Alliance does not cover products and services.</p>
Implementation strategy	<p><b>Activities and decision making</b></p> <p>Embed a financial institution's net-zero objectives and priorities in its core evaluation and decision-making tools and processes, to support its net-zero commitment.</p>	✓	<p><b>Relevant document(s):</b> TSP, the Alliance's governance, and discussion papers;</p> <p><b>Supporting sections/details:</b> Chapter 1—the Alliance's Commitment, which sets out supporting target ranges to achieve net zero, Climate solution investment and climate sector targets.</p> <p>The Alliance's governance as a member-led initiative supports embedding net-zero targets into processes.</p> <p>Relevant papers include the calls to action on Development and Uptake of Net-Zero-Aligned Benchmarks<sup>16</sup> and on Scaling Blended Finance.<sup>17</sup></p>

15 GFANZ (2022). *Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance*. [assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf](https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf)

16 NZAOA (2022). *Development and Uptake of Net-Zero-Aligned Benchmarks*. [unepfi.org/wordpress/wp-content/uploads/2022/11/NZAOA\\_Development-and-Uptake-of-Net-Zero-Aligned-Benchmarks.pdf](https://unepfi.org/wordpress/wp-content/uploads/2022/11/NZAOA_Development-and-Uptake-of-Net-Zero-Aligned-Benchmarks.pdf).

17 NZAOA (2022). *Call on Policymakers to Support Scaling Blended Finance*. [unepfi.org/wordpress/wp-content/uploads/2022/09/NZAOA\\_Scaling-Blended-Finance.pdf](https://unepfi.org/wordpress/wp-content/uploads/2022/09/NZAOA_Scaling-Blended-Finance.pdf).

GFANZ NZTP Pillars & Sub-Pillars		NZAOA Coverage?	Which NZAOA materials can be used?
Implementation strategy (continued)	<p><b>Policies and conditions.</b></p> <p>Establish and apply policies and conditions on priority sectors and activities, such as thermal coal, oil and gas, and deforestation. Include other sectors and activities that are high emitting (or otherwise harmful to the climate, to define business boundaries in line with the organisation’s net-zero objectives and priorities.</p>	✓	<p><b>Relevant document(s):</b> Position papers;</p> <p><b>Supporting sections/details:</b> The Alliance’s positions on thermal coal<sup>18</sup> and the oil and gas sector;<sup>19</sup></p>
Engagement strategy	<p><b>Engagement with clients and portfolio companies.</b></p> <p>Proactively and constructively provide feedback and support to clients and portfolio companies to encourage net zero-aligned transition strategies, plans, and progress with an escalation framework with consequences when engagement is ineffective</p>	✓	<p><b>Relevant document(s):</b> TSP, the Alliance’s guidelines, and discussion papers;</p> <p><b>Supporting sections/details:</b> Chapter 4—Engagement Targets; Discussion papers on the future of investor engagement<sup>20</sup> and on engaging with asset managers on policy.<sup>21</sup></p>
	<p><b>Engagement with industry</b></p> <p>Proactively engage with peers in the industry to, first, exchange on transition expertise and collectively work on common challenges, as appropriate; and, second, to cohesively represent financial sector’s views to external stakeholders, such as clients and governments.</p>	✓	<p><b>Relevant document(s):</b> TSP, the Alliance’s governance, and calls to action;</p> <p><b>Supporting sections/details:</b> Chapter 4—Engagement targets; Members’ participation in NZAOA track activities; Calls to action regarding private market asset managers<sup>22</sup> and sector metrics.<sup>23</sup></p>

18 NZAOA (2020). *Thermal Coal Position*. [unepfi.org/publications/alliance-thermal-coal-position/.pdf](https://unepfi.org/publications/alliance-thermal-coal-position/.pdf).

19 NZAOA (2023). *Position on the Oil and Gas Sector*. [unepfi.org/industries/position-on-oil-and-gas-sector/](https://unepfi.org/industries/position-on-oil-and-gas-sector/).

20 NZAOA (2022). *Future of Investor Engagement*. [unepfi.org/industries/the-future-of-investor-engagement-a-call-for-systematic-stewardship-to-address-systemic-climate-risk/](https://unepfi.org/industries/the-future-of-investor-engagement-a-call-for-systematic-stewardship-to-address-systemic-climate-risk/).

21 NZAOA (2023). *Aligning Climate Policy Engagement with Net-Zero Commitments: A foundation for asset owner engagement of asset managers*. [unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/](https://unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/).

22 NZAOA (2022). *Call to Action to Private Market Asset Managers*. [unepfi.org/industries/call-to-action-to-private-market-asset-managers/](https://unepfi.org/industries/call-to-action-to-private-market-asset-managers/).

23 NZAOA (2022). *Sector Call to Action*. [unepfi.org/wordpress/wp-content/uploads/2023/01/NZAOA-Sector-Call-to-Action.pdf](https://unepfi.org/wordpress/wp-content/uploads/2023/01/NZAOA-Sector-Call-to-Action.pdf)

GFANZ NZTP Pillars & Sub-Pillars		NZAOA Coverage?	Which NZAOA materials can be used?
Engagement strategy cont...	<p><b>Engagement with government and public sector</b></p> <p>Direct and indirect lobbying and public-sector engagement should, in a consistent manner, support an orderly transition to net zero. It should also, as appropriate, encourage consistency of clients' and portfolio companies' lobbying and advocacy efforts with the reporting organisation's own net-zero objectives.</p>	✓	<p><b>Relevant document(s):</b> The Alliance's governance, guidelines and papers;</p> <p><b>Supporting sections/details:</b> Members' participation in NZAOA track activities;</p> <p>The Alliance's position on governmental carbon pricing<sup>24</sup> and the discussion paper on engaging with asset managers on policy;<sup>25</sup></p>
Metrics and targets	<p><b>Metrics and targets</b></p> <p>Establish a suite of metrics and targets to drive execution of the net-zero transition plan and monitor progress of results in the near, medium, and long term.</p>	✓	<p><b>Relevant document(s):</b> TSP, the Alliance's call to action</p> <p><b>Supporting sections/details:</b> Chapter 4—Engagement targets, Chapter 5—Sector targets, Chapter 6—Climate solution investment targets, Chapter 7—Sub-portfolio targets;</p> <p>Call to action on Development and Uptake of Net-Zero-Aligned Benchmarks;<sup>26</sup></p>
Governance	<p><b>Roles, responsibilities, and remuneration</b></p> <p>Define roles for the reporting organisation's board (or another strategy oversight body) and the senior management—ensuring they have ownership, oversight, and responsibility for the net-zero targets.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Skills and culture</b></p> <p>Provide training and development support to the reporting organisation's teams and individuals that are designing, implementing, and overseeing the plan so that they have sufficient skills and knowledge to perform their roles.</p>	~	<p><b>Relevant document(s):</b> Partially met through the Alliance's governance procedures.</p> <p><b>Supporting sections/details:</b> Through members' participation in NZAOA track activities, subject matter experts are supported in their own skill building and knowledge development.</p>

24 NZAOA (2022). *Position Paper on Governmental Carbon Pricing*. [unepfi.org/themes/net-zero-asset-owner-alliance-position-paper-on-governmental-carbon-pricing/](https://unepfi.org/themes/net-zero-asset-owner-alliance-position-paper-on-governmental-carbon-pricing/).

25 NZAOA (2023). *Aligning Climate Policy Engagement with Net-Zero Commitments: A foundation for asset owner engagement of asset managers*. [unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/](https://unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/).

26 NZAOA (2022). *Development and Uptake of Net-Zero-Aligned Benchmarks*. [unepfi.org/wordpress/wp-content/uploads/2022/11/NZAOA\\_Development-and-Uptake-of-Net-Zero-Aligned-Benchmarks.pdf](https://unepfi.org/wordpress/wp-content/uploads/2022/11/NZAOA_Development-and-Uptake-of-Net-Zero-Aligned-Benchmarks.pdf).



## The fourth recommendation of the UN High-Level Expert Group (HLEG) on Net-Zero Emissions Commitments

**Background:** The United Nations Secretary-General, António Guterres, established a High-Level Expert Group (HLEG) on the Net-Zero Emissions Commitments of Non-State Entities in March 2022. The group was mandated to develop stronger and clearer standards for net-zero emissions pledges by non-State entities—including businesses, investors, cities, and regions—and speed up their implementation.<sup>27</sup>

The HLEG launched its report, *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions*, at COP27 in Sharm-el Sheikh, Egypt to deliver on its mandate. The report aims to provide a roadmap to prevent net zero from being undermined by ambiguity, lack of credibility, and greenwashing. To do this, the report offers ten recommendations for non-state actors to achieve net zero. The fourth of these recommendations focuses on key elements for creating a transition plan.

**Intended user of the framework:** This framework was developed for non-state actors globally, including financial institutions.

**Mapping and limitations:** Alliance member activities can be used to respond to most elements of HLEG's recommendations. See Table 3 for a full mapping.

Key gaps include verification of targets and considerations on nature and biodiversity.

---

27 United Nations (2022). *Credibility and Accountability of Net-Zero Emissions Commitments of Non-State Entities*. [un.org/en/climatechange/high-level-expert-group](https://un.org/en/climatechange/high-level-expert-group)

**Table 3: Mapping HLEG’s fourth recommendation and Alliance member activities<sup>28</sup>**

HLEG Recommendation 4: Create a Transition Plan		NZAOA Coverage?	Which NZAOA materials can be used?
Recommendations for all	Disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets. Targets must account for all greenhouse gas emissions and include separate targets for material non-CO2 greenhouse gas emissions.	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> TSP allows members to choose between absolute or intensity-based targets.
	Detail the third-party verification approach and audited accuracy.	×	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	Reference credible sector pathways consistent with limiting warming to 1.5°C with no or limited overshoot <sup>29</sup> and explain any material difference between the non-state actor’s transition plan and sector pathways.	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Chapter 2—The scientific basis for establishing net-zero targets;
	Explain emission reductions and, if needed, removal actions with time-bound key performance indicators. If removals are needed, it should be explained why.	✓	<b>Relevant document(s):</b> TSP <b>Supporting sections/details:</b> Chapter 2—The scientific basis for establishing net-zero targets;
	Demonstrate how specific actions across all parts of the non-state actors’ value chain will meet near-, medium- and long-term targets.	~	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Partially covered in Chapter 4—Engagement targets and Chapter 7—Sub-portfolio targets;
	Disclose how capital expenditure plans, research and development plans, and investments are both aligned with all the net-zero targets (e.g., capex-alignment with a regional or national taxonomy) and are split between new and legacy or stranded assets.	×	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;

28 High-Level Expert Group On The Net Zero Emissions Commitments Of Non-State Entities (2022). *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities And Regions*. [un.org/sites/un2.un.org/files/high-level-expert-group-update7.pdf](https://un.org/sites/un2.un.org/files/high-level-expert-group-update7.pdf)

29 Credible sector pathways include those developed by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), Network for Greening the Financial System (NGFS), and the One Earth Climate Model (OECM).

HLEG Recommendation 4: Create a Transition Plan		NZAOA Coverage?	Which NZAOA materials can be used?
Recommendations for all (continued)	Outline actions to address any data limitations.	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Chapter 3—Scope of the Protocol and Chapter 7—Sub-portfolio targets;
	Detail value chain (e.g., suppliers) engagement approach.	~	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Partially covered in Chapter 6—Climate solution investment targets.
	Explain the governance structure for transition and verification. Describe the linking of near and long-term targets with executive compensation	~	<b>Relevant document(s):</b> The Alliance’s position papers; <b>Supporting sections/details:</b> Partially covered in position papers, such as the Position on the Oil and Gas Sector. <sup>30</sup>
	Outline the specific policies and regulations, including carbon pricing, needed to facilitate transition plans.	~	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Partially covered in Chapter 2—The scientific basis for establishing net-zero targets.
	Report on progress annually (especially in regards to targets) and explain any plan changes on an annual basis.	✓	<b>Relevant document(s):</b> NZAOA annual reports, and members’ annual reports;
	Transition plans should explain how the non-state actor is contributing to a just transition. The delivery of a net zero and climateresilient economy in a way that delivers fairness and tackles inequality and injustice.	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Chapter 1—the Alliance’s Commitment, which requires a due consideration of social impacts and Chapter 2 sub-heading on just transition.

30 NZAOA (2023). *Position on the Oil and Gas Sector*. [nepfi.org/industries/position-on-oil-and-gas-sector/](https://nepfi.org/industries/position-on-oil-and-gas-sector/).

HLEG Recommendation 4: Create a Transition Plan		NZAOA Coverage?	Which NZAOA materials can be used?
Recommendations for all (continued)	Specify how to achieve and maintain operations and supply chains that avoid the conversion of remaining natural ecosystems— eliminating deforestation, wetland and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> Commitments on nature and biodiversity are currently beyond the scope of the Alliance but are covered through other investor initiatives. The Net in Net Zero position paper <sup>31</sup> talks about maintaining carbon sinks.
	Disclose how lobbying and policy engagement policies and activities are consistent with the non-state actor’s net-zero targets.	~	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Partially covered in policy engagement guidelines. <sup>32</sup>

31 NZAOA (2021). *The Net in Net Zero: The role of negative emissions in achieving climate alignment for asset owners*. [unepfi.org/themes/climate-change/the-role-of-negative-emissions-in-achieving-climate-alignment-for-asset-owners/](https://www.unepfi.org/themes/climate-change/the-role-of-negative-emissions-in-achieving-climate-alignment-for-asset-owners/)

32 NZAOA (2023). *Aligning Climate Policy Engagement with Net-Zero Commitments: A foundation for asset owner engagement of asset managers*. [unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/](https://www.unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/).

HLEG Recommendation 4: Create a Transition Plan		NZAOA Coverage?	Which NZAOA materials can be used?
Recommendations for financial institutions	Demonstrate how all parts of the business (investment advisory, investment, facilitation, etc.) align with intermediate targets and long-term net-zero targets, and thus include a strategy to identify and progressively phase out stranded assets.	×	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	For those asset classes or services for which emissions cannot (as of yet) be calculated, explain how net-zero commitments are addressed or considered.	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Chapter 3—Scope of the Protocol;
	Include engagement targets that include voting (especially proxy) strategies, which are in line with decarbonisation and escalation policies, policies on carbon credits and offsets, and the institution’s transition risk management strategy (including physical risk).	✓	<b>Relevant document(s):</b> TSP, papers; <b>Supporting sections/details:</b> Chapter 4—Engagement targets; The Alliance’s paper on proxy voting approaches; <sup>33</sup>
	Demonstrate alignment to funding and enabling real-world decarbonisation (e.g., green taxonomies), and contribute to help financing net zero goals in developing markets via blended finance and other financial vehicles.	✓	<b>Relevant document(s):</b> Alliance papers; <b>Supporting sections/details:</b> The Alliance’s Call to Action on Scaling Blended Finance. <sup>34</sup>

33 NZAOA (2021). *Elevating Climate Diligence on Proxy Voting Approaches: A Foundation for Asset Owner Engagement of Asset Managers*. [unepfi.org/wordpress/wp-content/uploads/2021/04/16-Elevating-Climate-Diligence-2.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/16-Elevating-Climate-Diligence-2.pdf).

34 NZAOA (2022). *Call on Policymakers to Support Scaling Blended Finance*. [unepfi.org/industries/net-zero-asset-owner-alliance-call-on-policymakers-to-support-scaling-blended-finance/](https://www.unepfi.org/industries/net-zero-asset-owner-alliance-call-on-policymakers-to-support-scaling-blended-finance/).

## Task Force on Climate-Related Financial Disclosures

**Background:** The Financial Stability Board (FSB) created the Task Force on Climate-Related Financial Disclosures (TCFD) in 2017. The goal was to develop voluntary and consistent climate-related financial disclosures, which would be useful to investors, lenders, and insurance underwriters in appropriately assessing and pricing climate-related risks.<sup>35</sup>

The TCFD aims to mainstream evaluation of climate change risks and opportunities as an integral part of a company's strategy and operations. The accurate and timely disclosure of the actual and potential impacts of climate change can give companies and investors access to the information relevant for both decision-making and more efficient allocation of capital.<sup>36</sup>

The ISSB is set to take over the monitoring of progress on companies' climate-related disclosures from the TCFD in 2024.<sup>37</sup>

**Intended user of the framework:** This framework was developed to be widely applicable to organisations across sectors and jurisdictions.

At the moment of writing, companies in 14 jurisdictions—Brazil; Colombia; Egypt; the EU; Japan; Kenya; Mauritius; New Zealand; the Philippines; Singapore; Switzerland; Taiwan, Province of China; Thailand; and the United Kingdom of Great Britain & Northern Ireland—are subject to TCFD-aligned disclosure requirements.<sup>38</sup>

**Mapping and limitations:** Alliance member activities can be used to respond to most of the TCFD's recommended disclosures. See Table 4 for a full mapping.

The TCFD has a more explicit focus on identifying and managing risk than the Alliance; therefore, additional work may be needed to appropriately use Alliance outputs to produce a TCFD report. Other gaps between the TCFD and Alliance member activities are related to disclosure of governance considerations.

---

35 Task Force on Climate-related Financial Disclosures [TCFD]. (2021). *Guidance on Metrics, Targets, and Transition Plan. 2.* [fsb.org/wp-content/uploads/P141021-2.pdf](https://www.fsb.org/wp-content/uploads/P141021-2.pdf).

36 TCFD (n.d.). About. [fsb-tcfd.org/about/](https://www.fsb-tcfd.org/about/)

37 IFRS (2023). IFRS Foundation welcomes culmination of TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024. [ifrs.org/news-and-events/news/2023/07/foundation-welcomes-tcfd-responsibilities-from-2024/](https://www.ifrs.org/news-and-events/news/2023/07/foundation-welcomes-tcfd-responsibilities-from-2024/)

38 TCFD (2023). *Status Report*. 83–84. [fsb.org/wp-content/uploads/P121023-2.pdf](https://www.fsb.org/wp-content/uploads/P121023-2.pdf).

**Table 4: Mapping TCFD and Alliance member activities<sup>39</sup>**

TCFD Recommended Disclosures		NZAOA Coverage?	Which NZAOA materials can be used?
Governance	<b>Approval:</b> The board or appropriate committee of the board approves the transition plan and climate-related targets.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Oversight:</b> The board or appropriate committee of the board oversees execution of the transition plan.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Accountability:</b> Senior management has responsibility for execution of the transition plan, and the responsible parties have adequate authority and access to resources to ensure effective execution.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Incentives:</b> Remuneration and other incentives are aligned with the organization’s climate goals, as described in the transition plan.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Reporting:</b> The board or appropriate committee of the board and senior management receive regular status reports	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Chapter 1—the Alliance’s Commitment, which sets out reporting against targets.
	<b>Review:</b> The organization periodically reviews and updates its plans, activities, metrics, and targets.	✓	<b>Relevant document(s):</b> TSP, the Alliance’s governance, and discussion papers; <b>Supporting sections/details:</b> Chapter 1—the Alliance’s Commitment;
	<b>Transparency:</b> The organization reports on its transition planning goals and performance to external stakeholders, including financial aspects, performance against targets, and impacts on the organization’s business.	~	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Assurance:</b> The organization’s reporting is subject to independent review or third-party assurance.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;

39 TCFD (2021). *Task Force on Climate-related Financial Disclosures: Metrics, Targets, and Transition Plans*. [fsb.org/wp-content/uploads/P141021-2.pdf](https://www.fsb.org/wp-content/uploads/P141021-2.pdf)

TCFD Recommended Disclosures		NZAOA Coverage?	Which NZAOA materials can be used?
Strategy	<b>Alignment with strategy:</b> The organization aligns its transition plan with its overall strategy; and the transition plan describes the following: Activities—how the organization will achieve targets in defined time horizons—Temperature goal—alignment to a global temperature goal (e.g., 1.5°C), relevant regulatory mandates, and/or sectoral decarbonization strategies	~	<b>Relevant document(s):</b> TSP <b>Supporting sections/details:</b> Partially covered for business strategy and resource allocation in Chapter 1—the Alliance’s Commitment.
	<b>Plan assumptions:</b> The transition plan describes the organization’s assumptions, particularly around transition pathway uncertainties and implementation challenges. The assumptions should be consistent with those used by the organization in its financial accounts, capital expenditures, and investment decisions.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Prioritized opportunities:</b> The transition plan describes how the organization intends to maximize its prioritized climate opportunities as the world transitions to a low-carbon economy.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Action plans:</b> The transition plan outlines short term and medium-term tactical and operational plans and describes how related actions address material sources of GHG emissions. The plan includes current and planned initiatives to reduce climate-related risks and increase climate-related opportunities.	~	<b>Relevant document(s):</b> TSP <b>Supporting sections/details:</b> Partially covered for business strategy and resource allocation in Chapter 1—the Alliance’s Commitment.
	<b>Financial plans:</b> The transition plan describes the supporting financial plans, budgets, and related financial targets (e.g., amount of capital and other expenditures supporting decarbonization strategy).	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Scenario analysis:</b> The organization tests achievability of the transition plan and associated targets using multiple climate-related scenarios.	~	<b>Relevant document(s):</b> TSP <b>Supporting sections/details:</b> Partially covered in the TSP, which examines a range of 1.5°C no or limited overshoot scenarios.



TCFD Recommended Disclosures		NZAOA Coverage?	Which NZAOA materials can be used?
Risk management	<b>Description of risks:</b> The transition plan describes the risks that the organization faces from a transition to a low-carbon economy.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Plan challenges and uncertainties:</b> The transition plan describes the assumptions, uncertainties, and challenges the organization faces in successfully executing its transition plan.	✓	<b>Relevant document(s):</b> TSP <b>Supporting sections / details:</b> Chapter 4—Engagement targets, when discussing net-zero engagement requests to all asset managers.
Metrics and targets	<b>Metrics:</b> The transition plan describes metrics the organization will monitor to track progress against plans and targets, including related operational and financial performance metrics, metrics aligned with the cross-industry, climate-related metric categories, and industry-specific or organization specific metrics.	✓	<b>Relevant document(s):</b> TSP and calls to action <b>Supporting sections / details:</b> Chapter 4—Engagement targets, Chapter 5—Section targets, Chapter 6—Climate solution investment targets, Chapter 7—Sub-portfolio targets and <a href="#">Net-Zero Aligned Benchmarking call to action</a> .
	<b>Targets:</b> The transition plan includes quantitative and qualitative targets based on sound climate science. For GHG emissions targets, the plan indicates the type and scope of GHG emissions included as well as the extent of GHG emissions across territories, timeframes, or activities	✓	<b>Relevant document(s):</b> TSP <b>Supporting sections / details:</b> Chapter 4—Engagement targets, Chapter 5—Section targets, Chapter 7—Sub-portfolio targets.
	<b>Methodology:</b> Metrics and targets in a transition plan are based on widely recognized and transparent methodologies.	x	<b>Relevant document(s):</b> N/A; <b>Supporting sections/details:</b> N/A;
	<b>Dates:</b> The transition plan specifies the dates when targets are intended to be reached and includes targets during the plan's time horizon (e.g., a timetable for the plan's roadmap).	✓	<b>Relevant document(s):</b> TSP; <b>Supporting sections/details:</b> Chapter 1—the Alliance's Commitment, which sets out reporting against targets.
	<b>GHG emissions reductions:</b> The transition plan addresses the relative contribution of reductions, removals, and offsets for achieving GHG emissions targets.	✓	<b>Relevant document(s):</b> TSP <b>Supporting sections/details:</b> Chapter 4—Engagement targets, Chapter 5—Section targets, Chapter 7—Sub-portfolio targets.

## Transition Plan Taskforce disclosure framework

**Background:** The Transition Plan Taskforce (TPT) was launched by His Majesty (HM)'s Treasury in April 2022 to develop the gold standard for private sector climate transition plans. The TPT is responding to the private sector's substantial and increasing demand for standardised, high-quality plans to make better-informed decisions about how to allocate capital to support a global transition to net zero.

The TPT's builds directly on by pre-existing transition plan frameworks, such as GFANZ NZTP and TCFD, to ensure consistency, credibility, and comparability. However, it provides further granularity and specificity to meet the needs of the United Kingdom of Great Britain & Northern Ireland market.<sup>40</sup>

**Intended user of the framework:** This framework was developed for voluntary and mandatory use internationally and across sectors.<sup>41</sup> It is expected to inform the United Kingdom's future regulation.<sup>42</sup>

**Mapping and limitations:** Alliance member activities can be used to fully respond to the TPT's elements relating to engagement strategy as well as metrics and targets. See Table 5 for a full mapping.

Key gaps include considerations around governance and implementation. The Alliance's materials have also not addressed products and services thus far.

---

40 TCFD (2022). *Consultation: The Transition Plan Taskforce Disclosure Framework*. 12. [transitiontaskforce.net/wp-content/uploads/2022/11/TPT-Disclosure-Framework.pdf](https://transitiontaskforce.net/wp-content/uploads/2022/11/TPT-Disclosure-Framework.pdf).

41 TCFD (2023). *Disclosure Framework*. 14. [transitiontaskforce.net/wp-content/uploads/2023/10/TPT\\_Disclosure-framework-2023.pdf](https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf).

42 TCFD (n.d.). About. [fsb-tcf.org/about/](https://fsb-tcf.org/about/).

**Table 5: Mapping TPT Disclosure Framework and Alliance member activities<sup>43</sup>**

TPT Disclosure Framework Elements		NZAOA Coverage	Which NZAOA materials can be used?
Foundations	<p><b>Objectives and priorities</b></p> <p>Describe the strategic ambition of the reporting organisation’s transition plan by disclosing its objectives, priorities, intermediate targets and milestones for responding and contributing to an early and orderly whole-of-economy transition. The organisation should have regard to reducing its own GHG emissions, responding to its climate-related risks and opportunities, and the actions it may take within its business model to embed and accelerate the transition.</p>	✓	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Chapter 1—the Alliance’s Commitment</p>
	<p><b>Business model implications</b></p> <p>Summarise how the reporting organisation will embed the strategic ambition of its transition plan in its business model. The organisation should highlight key implications for products and services, resourcing and operational and capital expenditure, as well as material interdependencies for the natural environment, the reporting organisation’s workforce, value chain, impacted communities and consumers.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> The Alliance does not cover products and services.</p>
Implementation strategy	<p><b>Business planning and operations</b></p> <p>Disclose the roadmap of short-, medium- and long-term actions the reporting organisation will take to deliver on the strategic ambition in its transition plan and achieve its stated objectives and priorities. This disclosure should include details of key planned changes to its business strategy and resource allocation, plans for GHG or carbon energy intensive assets, and its approach to managing material interdependencies.</p>	~	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Partially covered in Chapter 1—the Alliance’s Commitment.</p>
	<p><b>Products and services</b></p> <p>Disclose planned changes to the reporting organisation’s portfolio of products and services, to deliver the strategic ambition in its transition plan. This disclosure should highlight plans to reduce (increase) the portfolio of high-carbon (low-carbon) products and services that it provides, either directly or indirectly.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> The Alliance does not cover products and services.</p>

43 TCFD (2023). *Disclosure Framework*. 14. [transitiontaskforce.net/wp-content/uploads/2023/10/TPT\\_Disclosure-framework-2023.pdf](https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf).

TPT Disclosure Framework Elements		NZAOA Coverage	Which NZAOA materials can be used?
Implementation strategy (continued)	<p><b>Policies and conditions</b></p> <p>Disclose key internal policies and conditions that the reporting organisation has developed to align its activities with the strategic ambition of its transition plan and with its stated objectives and priorities. Include policies that relate to energy and water usage, the management of the organisation’s impact on the natural environment, lending and investment activity and the profile of companies in its supply chain.</p>	~	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Partially covered under Chapter 1—the Alliance’s Commitment, and Chapter 3—Scope of the Protocol, which discusses strategic ambition. Commitments on nature/biodiversity are beyond the scope of the Alliance.</p>
	<p><b>Financial planning</b></p> <p>Describe the financial implications of the planned changes to the reporting organisation’s business strategy, resource allocation and products and services arising from its transition plan, including relevant financial plans, investment, where possible.</p>	~	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Partially covered for business strategy and resource allocation in Chapter 1—The Alliance’s Commitment.</p> <p>The Alliance does not cover products and services.</p>
	<p><b>Sensitivity analysis</b></p> <p>Disclose key assumptions and dependencies underlying the reporting organisation’s business, operational and financial plans and the implications for achievement of the strategic ambition in its transition plan if its central assumptions are not met.</p>	x	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>

TPT Disclosure Framework Elements		NZAOA Coverage	Which NZAOA materials can be used?
Engagement strategy	<p><b>Engagement with value chain</b></p> <p>Disclose current and planned engagement activities with companies and customers in the reporting organisation’s value chain or portfolio to provide support and feedback, and to influence behavioural and business model changes aligned with the reporting organisation’s strategic ambition and stated objectives and priorities.</p>	✓	<p><b>Relevant document(s):</b> TSP, the Alliance’s guidelines and discussion papers.</p> <p><b>Supporting sections/details:</b> Chapter 4—Engagement targets; Discussion papers on the future of investor engagement<sup>44</sup> and on engaging with asset managers on policy.<sup>45</sup></p>
	<p><b>Engagement with industry</b></p> <p>Disclose current and planned engagement and collaborative activities with peers in the reporting organisation’s industry (and beyond, as relevant) to share expertise and experience and address common challenge.</p>	✓	<p><b>Relevant document(s):</b> The Alliance’s governance;</p> <p><b>Supporting sections/details:</b> Member’s engagement with NZAOA track activities;</p>
	<p><b>Engagement with government, public sector, and society</b></p> <p>Disclose current and planned engagement activities with the government, public sector organisations and civil society to support the reporting organisation’s strategic ambition and objectives, priorities and intermediate milestones.</p>	✓	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Chapter 4—Engagement targets;</p>

44 NZAOA (2022). *Future of Investor Engagement*. [unepfi.org/industries/the-future-of-investor-engagement-a-call-for-systematic-stewardship-to-address-systemic-climate-risk/](https://www.unepfi.org/industries/the-future-of-investor-engagement-a-call-for-systematic-stewardship-to-address-systemic-climate-risk/).

45 NZAOA (2023). *Aligning Climate Policy Engagement with Net-Zero Commitments: A foundation for asset owner engagement of asset managers*. [unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/](https://www.unepfi.org/industries/aligning-climate-policy-engagement-with-net-zero-commitments/).

TPT Disclosure Framework Elements		NZAOA Coverage	Which NZAOA materials can be used?
Metrics and targets	<p><b>Governance and operational metrics and targets</b></p> <p>Disclose current and planned engagement activities with the government, public sector organisations and civil society to support the reporting organisation’s strategic ambition and objectives, priorities and intermediate milestones.</p>	✓	<p><b>Relevant document(s):</b> TSP;</p> <p><b>Supporting sections/details:</b> Chapter 4—Engagement targets;</p>
	<p><b>Financial metrics and targets</b></p> <p>Disclose the financial metrics and targets that are used by the reporting organisation to assess progress towards its strategic ambition and its stated objectives and priorities. Report against metrics used to assess progress towards targets on at least an annual basis.</p>	✓	<p><b>Relevant document(s):</b> TSP and the Alliance’s call to action;</p> <p><b>Supporting sections/details:</b></p> <p>Chapter 4—Engagement targets, Chapter 5—Section targets, Chapter 6—Climate solution investment targets, Chapter 7—Sub-portfolio targets;</p> <p>Call to action on Development and Uptake of Net-Zero-Aligned Benchmarks;<sup>46</sup></p>
	<p><b>GHG emission metrics and targets</b></p> <p>Disclose the GHG metrics and targets that are used by the reporting organisation to assess progress towards its strategic ambition and its stated objectives and priorities. Report against metrics used to assess progress towards targets on at least an annual basis.</p>	✓	<p><b>Relevant document(s):</b> TSP the Alliance’s call to action;</p> <p><b>Supporting sections/details:</b></p> <p>Chapter 4—Engagement targets, Chapter 5—Section targets, Chapter 6—Climate solution investment targets, Chapter 7—Sub-portfolio targets;</p> <p>Call to action on Development and Uptake of Net-Zero-Aligned Benchmarks;<sup>47</sup></p>

46 NZAOA (2022). *Development and Uptake of Net-Zero-Aligned Benchmarks*. [unepfi.org/wordpress/wp-content/uploads/2022/11/NZAOA\\_Development-and-Uptake-of-Net-Zero-Aligned-Benchmarks.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2022/11/NZAOA_Development-and-Uptake-of-Net-Zero-Aligned-Benchmarks.pdf).

47 Ibid.

TPT Disclosure Framework Elements		NZAOA Coverage	Which NZAOA materials can be used?
Metrics and targets (cont...)	<p><b>Carbon credits</b></p> <p>Disclose the intended use of carbon credits that are used by the reporting organisation to progress on its strategic objectives and priorities. Report annually on the use of carbon credits.</p>	✓	<p><b>Relevant document(s):</b> TSP and position papers</p> <p><b>Supporting sections/details:</b> Chapter 2 under the Carbon Removals subheading and in the The Alliance’s position on governmental carbon pricing;<sup>48</sup></p>
Governance	<p><b>Board oversight and reporting</b></p> <p>Describe the reporting organisation’s arrangements for board-level governance of the transition plan, including its processes for both board-level review and approval of the transition plan, and for the oversight of monitoring and reporting of progress against the organisation’s stated objectives and priorities.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Roles, responsibility, and accountability</b></p> <p>Describe senior management roles and responsibilities for the execution of the transition plan, as well as the reporting organisation’s wider control, review and accountability mechanisms.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Culture</b></p> <p>Describe the steps that the reporting organisation has put in place to build a culture aligned with the strategic ambition in its transition plan, including through leadership and training programmes, HR policies and procedures, and wider workforce engagement.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>
	<p><b>Incentives and remuneration</b></p> <p>Describe whether and how the reporting organisation has put in place arrangements to align remuneration and incentive structures with the objectives and priorities stated in its transition plan.</p>	×	<p><b>Relevant document(s):</b> N/A;</p> <p><b>Supporting sections/details:</b> N/A;</p>

48 NZAOA (2022). *Position Paper on Governmental Carbon Pricing*. [unepfi.org/themes/net-zero-asset-owner-alliance-position-paper-on-governmental-carbon-pricing/](https://nepfi.org/themes/net-zero-asset-owner-alliance-position-paper-on-governmental-carbon-pricing/).

TPT Disclosure Framework Elements		NZAOA Coverage	Which NZAOA materials can be used?
<b>Governance (continued)</b>	<p><b>Skills, competencies, and training</b></p> <p>Describe how the reporting organisation ensures that it has the appropriate skills, competencies and knowledge across the organisation to effectively design, develop and deliver the transition plan.</p>	~	<p><b>Relevant document(s):</b> The Alliance’s governance procedures;</p> <p><b>Supporting sections/details:</b> Partially covered through members’ engagement with NZAOA track activities supports skills and knowledge development in some parts of transition planning, such as metrics and targets.</p>



### 3. Key dependencies: what else is needed to prepare a transition plan?

#### From asset managers and investee companies

Asset owners rely on accurate, timely, and complete disclosures from both asset managers and investee companies, so as to have full insight into their value chain as well as deliver and report on their net-zero goals and trajectories. Alliance members should look at relevant supporting disclosures to inform their own transition plans.

When possible, Alliance members should encourage their asset managers and investee companies to produce their transition plans. A list of information that Alliance members might find useful in these transition plans (or other disclosure reports) is included below.

- Base year of reporting;
- Target dates for short-, medium-, and long-term targets;
- Data on Scope 1, Scope 2, and, if available, Scope 3 greenhouse gas (GHG) emissions;
- Absolute emissions reduction and intensity of emissions reduction, including revenue intensity, physical intensity and sectoral decarbonisation approach (SDA);
- Assessment of potential illiquid emissions associated with investments in illiquid assets;
- Relevant breakdowns, such as scope 3 upstream/downstream products and services;
- Data coverage;
- Methodology and transparency with regards to estimations; and
- Levels of assurance.

#### Internal capacity building

Although they can be a useful starting point, Alliance member activities alone cannot satisfy the governance requirements found in most transition plan frameworks.

Effective governance is crucial for members to translate their transition plans into real, ongoing climate action.

Alliance members should undertake additional work to create capacity and competency at all levels of the organisation to enable them to reach net-zero. This can include, but is not limited to, the following actions.

- Integrating transition plan delivery into the organisation's wider strategic and financial plan;
- Assigning roles and responsibilities for the delivery and oversight of a transition plan at the Board and senior management level;
- Linking incentives, such as remuneration, to the delivery of climate related goals;
- Fostering the development of climate-related skills and talent among employees;
- Creating internal metrics and accountability reporting to assess progress against the transition plan; and
- Dedicating financial and non-financial resources to achieving the transition plan.

---

## 4. Evaluating transition plans

In addition to knowing how to prepare their own transition plans, it is important for asset owners to know how to assess the transition plans of others. The types of transition plans Alliance members will evaluate will vary. However, there are certain key elements members should always seek out in these plans, to assess progress and make informed decisions about risk, stewardship, and investment.

These key elements include the following:

- Operationalisation;
- Metrics disclosure; and
- Ongoing progress.

**Operationalisation:** A strong transition plan should go beyond a strategy and a simple action plan. Alliance members should look for coherence and alignment between the strategy and the assessed organisation's actions.

To assess if an asset manager's or a company's net-zero action plan is implementable, Alliance members should see if the plan addresses the broader dependencies relevant to creating an enabling environment to deliver on net-zero goals. This includes, but is not limited to, the assessments and costs of key technologies and necessary government policies.

**Metrics disclosure:** Metrics and KPIs allow Alliance members to more easily hold transition plan preparers to account, to assess their transition plan credibility, and to make informed decisions based on the plan. Alliance members should identify and examine metrics the preparer uses to inform their objectives, target setting, and progress monitoring against portfolio decarbonisation objectives.

Some examples of important retrospective indicators to look for include the following:

- GHG emissions exposure, both in absolute terms and intensity metrics; and
- Sector emissions intensity production-based metrics for the most carbon intensive industries.<sup>49</sup>

Some examples of important forward-looking indicators to look for include the following:

- Five to ten-year emissions targets and associated coverage and methodology used;
- If the preparer is following a green taxonomy—the amount of economic activity classified as sustainable or harmful.

---

<sup>49</sup> Please refer to the NZAOA (2022). Sector Call to Action for a more detailed list of metrics that can be used. [unepfi.org/wordpress/wp-content/uploads/2023/01/NZAOA-Sector-Call-to-Action.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2023/01/NZAOA-Sector-Call-to-Action.pdf)

**Ongoing progress:** Metrics should be assessed within the larger context of the reporting organisation. Alliance members should look out for metrics that support organisational coherence and progress towards implementation of the transition plan, such as the following:

- The extent to which short-term market movements influence organisational commitment to net-zero targets;
- Annual organisational progress (evaluated against its transition plan).

If these metrics cannot be included, Alliance members should examine why this is the case and what, if anything, can be done to address this lack.

---

## 5. Policy recommendations

Regulation encourages the widespread adoption of high-quality transition plan reporting. Consistent and coherent policy is essential to improve credibility and trust in achieving decarbonisation in the real economy.<sup>50</sup>

Regulators face the challenge of setting norms and standards in a rapidly changing policy landscape. They have a strong role to play in facilitating adoption of high quality, credible, ambitious and widespread transition plans. As a result, the Alliance has the following recommendations for regulators.

- 1. The Alliance supports the promotion of credible transition plans and their publication.** Promoting credible transition plan disclosures can bolster transparency and accountability and improve the quality of climate-related disclosure.
- 2. Regulation should balance ambition and reporting flexibility.** Transition plans can be an important tool to improve transparency and accountability, as they require companies to lay out their pathways towards achieving net zero. For transition plans to fulfil this role, the minimal disclosure baseline should be robust and comprehensive. However, reporting requirements which are too stringent run the risk of turning an opportunity for companies to set their bespoke climate strategy and operations into a tick-box compliance exercise.
- 3. Standard setters and regulators should work towards greater interoperability of transition plans.** Since transition plans have come to the forefront, a number of different approaches and frameworks have emerged. To ensure consistency and comparability, regulators should create alignment between different frameworks. Furthermore, ensuring interoperability will help to reduce implementation costs for both issuers and users alike.

Alliance members can encourage wider-scale adoption of transition plans through working with the Alliance's work tracks, including in the Alliance's Engagement and Policy Tracks, or through independent political engagement. During this work, Alliance members should align their actions with goals in their transition plans while also adhering to the Alliance's Policy Engagement Guidelines, which involves taking an accountable, active, consistent, and transparent approach to public policy.

---

<sup>50</sup> NZAOA (2022). Net-Zero Asset Owner Alliance welcomes UN High-Level Expert Group's guidance on making credible net-zero pledges. [unepfi.org/industries/net-zero-asset-owner-alliance-applauds-un-high-level-expert-groups-guidance-on-making-credible-net-zero-pledges/](https://www.unepfi.org/industries/net-zero-asset-owner-alliance-applauds-un-high-level-expert-groups-guidance-on-making-credible-net-zero-pledges/).



## UN-convened Net-Zero Asset Owner Alliance

[unepfi.org/net-zero-alliance/](https://unepfi.org/net-zero-alliance/)