
Road to Net Zero. La Prospettiva degli Asset Manager

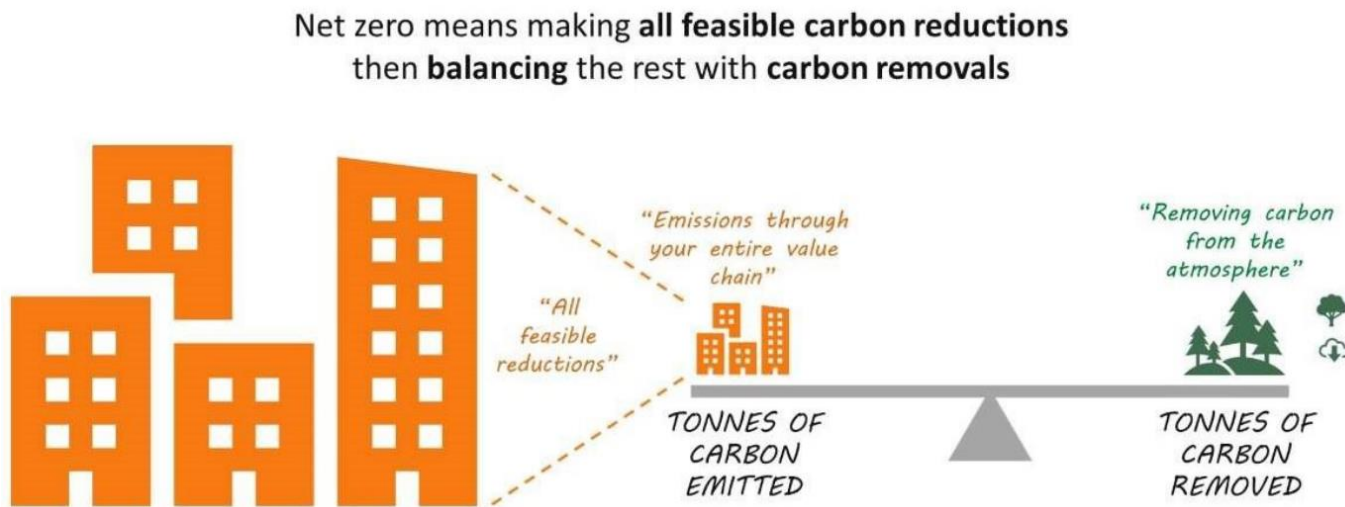
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November 2023



Setting the Scene: What does Net-Zero Mean?



» In 2018, the Intergovernmental Panel on Climate Change concluded that to **keep warming under 1.5°C** – as called by the **Paris Agreement** - carbon dioxide emissions would have to be cut “by about 45%” between 2010 and 2030 and reach “net zero around 2050.”

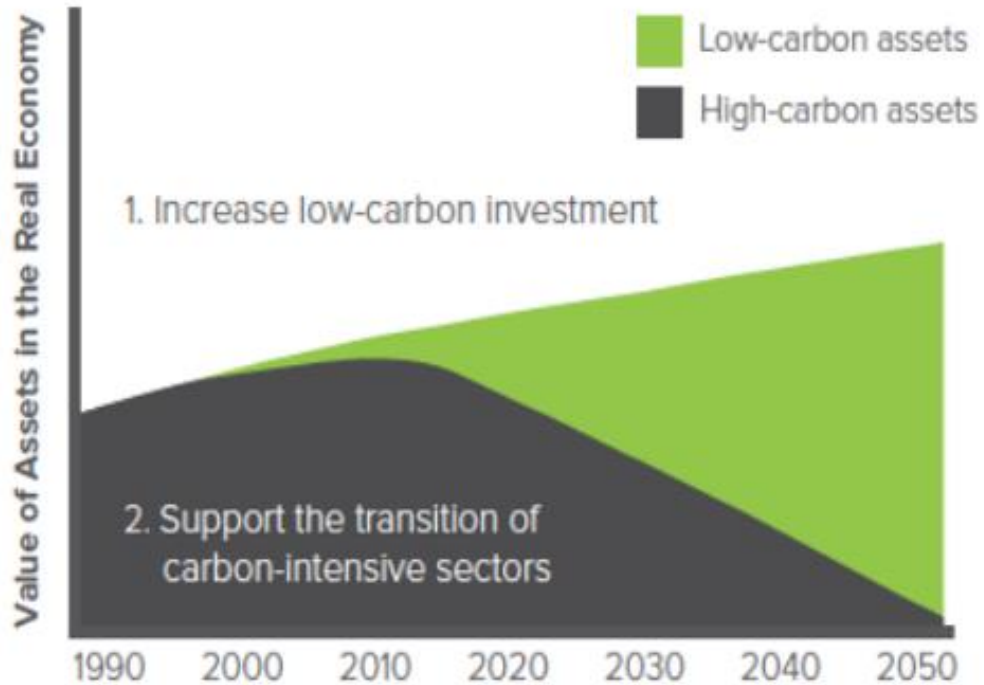
» What is ‘Net-Zero’?

» According to the IPCC, net zero is achieved when **GHGs emitted by human activities are equal to those removed from the atmosphere** within a certain period

How do We Achieve Net Zero?

Achieving Net Zero by 2050 requires the complete transformation of the global Energy system

Merging onto this pathway will require financial institutions to:



» Energy sector: source of $\frac{3}{4}$ of GHG emissions today

» Focus on **decarbonization** combined by supporting the **transition of carbon intensive sectors** and **invest in low carbon assets**

» The International Energy Agency (IEA) has explained that staying under 1.5°C means **stopping financing fossil fuel expansion ie. new coal, oil and gas supply projects**

Investment Ecosystem Aligned towards Net Zero by 2050



Regulation & Policy

EU SFDR, US IRA



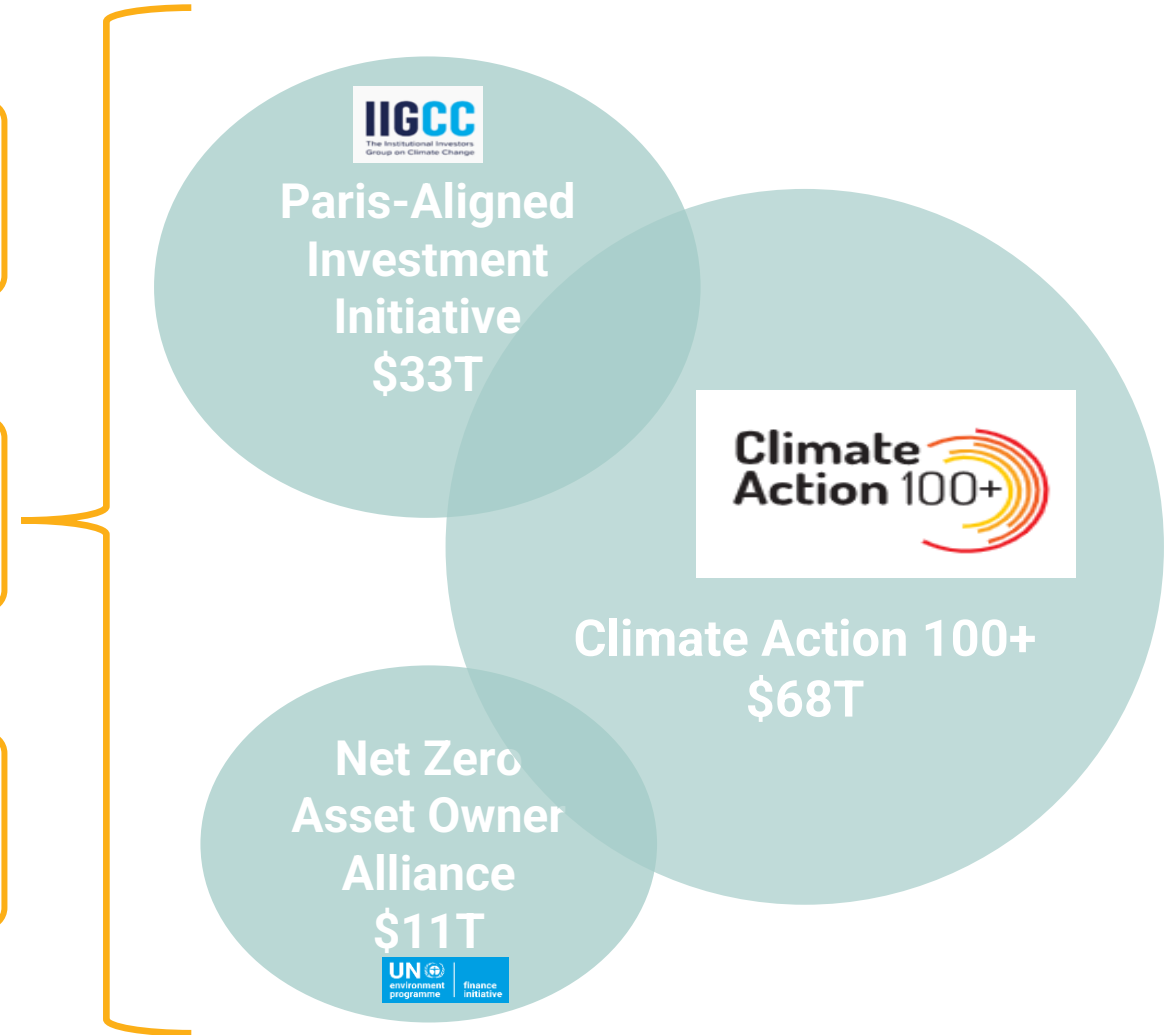
Investor Networks & Alliances

IIGCC, CA100+,
UN NZAOA



Standards & Frameworks

TCFD, PCAF, SBTi

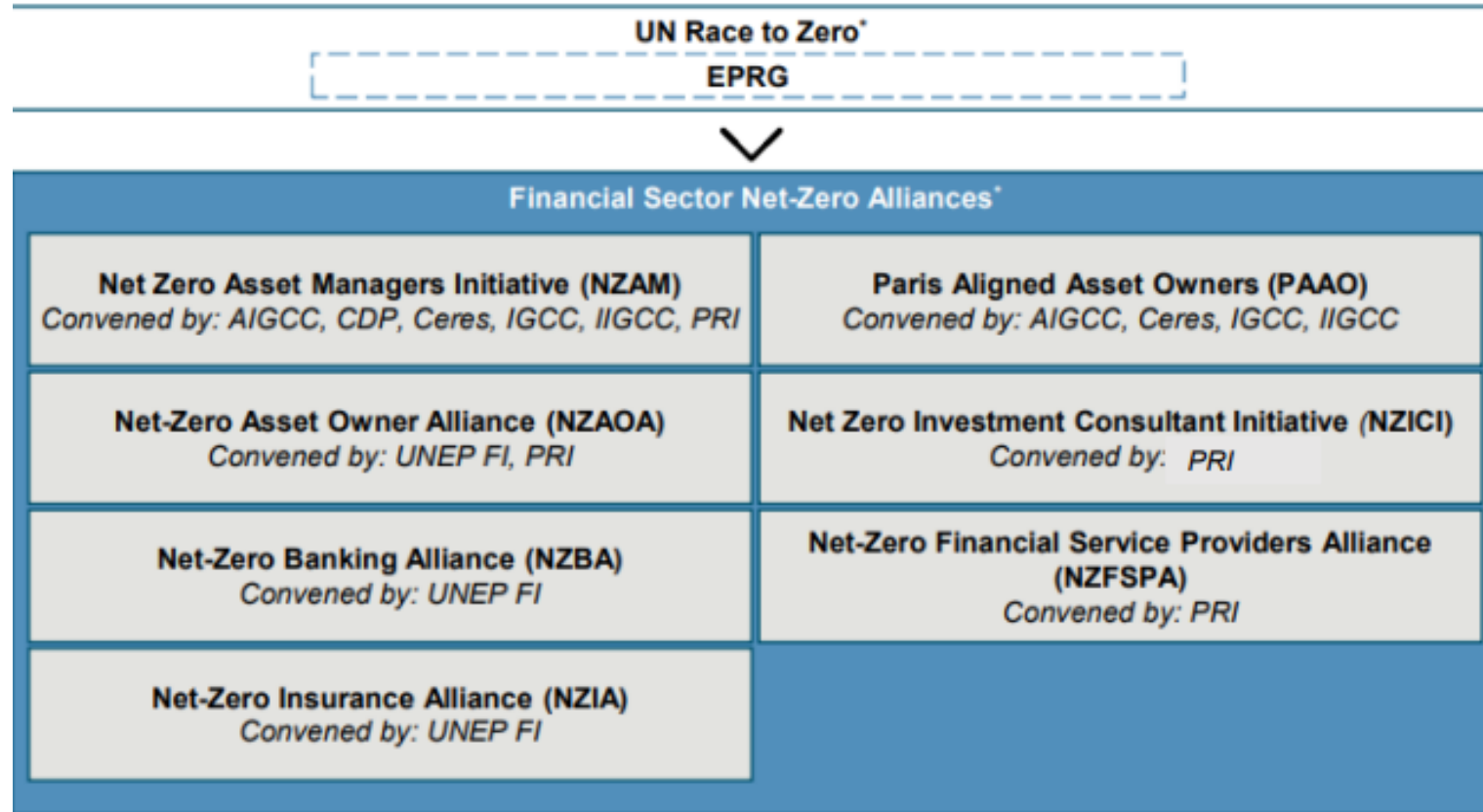


Net Zero in the Financial Sector: an Ambitious Landscape?

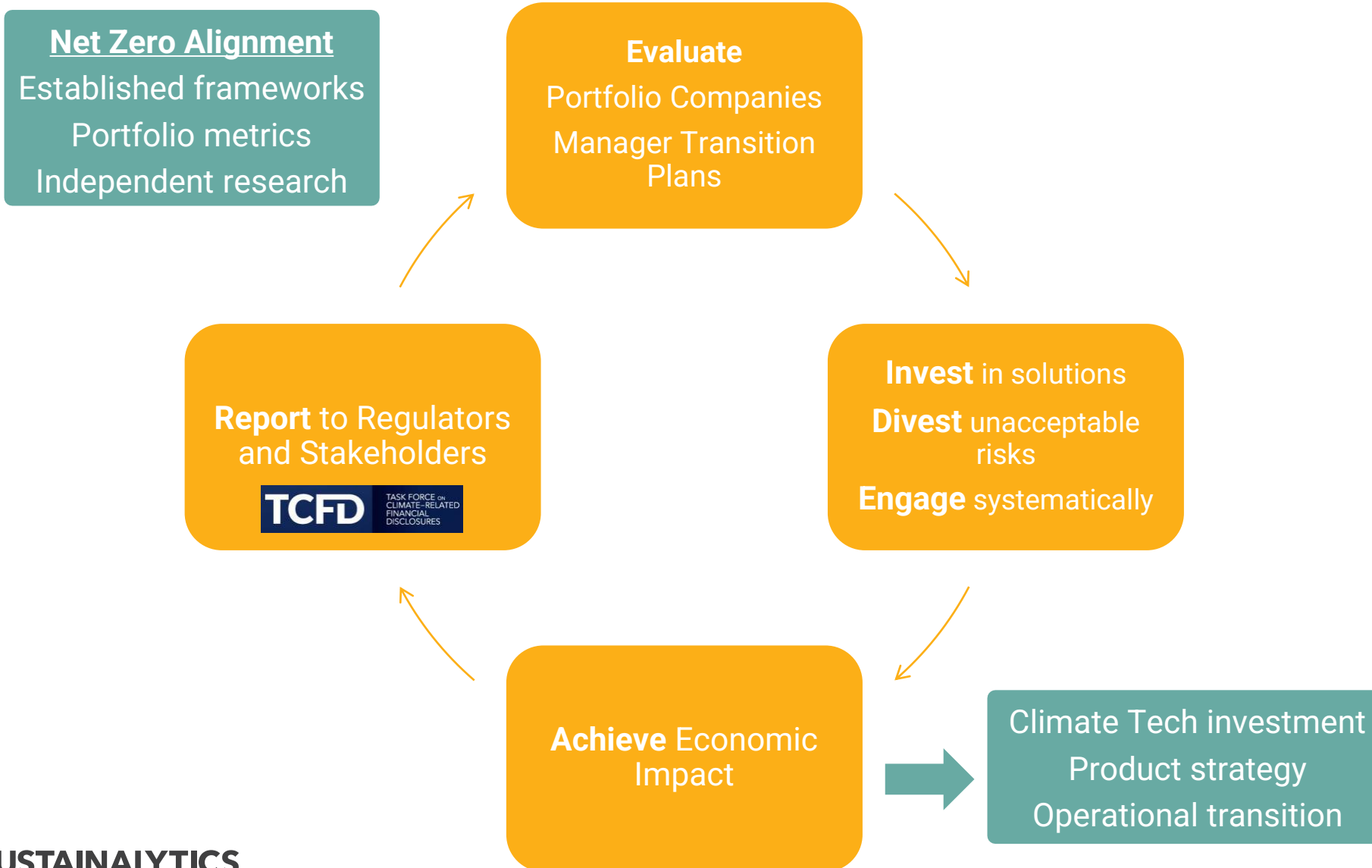
» The **Glasgow Financial Alliance for Net Zero (GFANZ)** is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy.

The GFANZ Network

- 6 alliances and initiatives
- 8 insurers
- 12 investment consultants
- 18 financial service providers
- 58 asset owners
- 82 banks
- 128 asset managers
- \$90 trillion, nearly a third of all investable financial assets worldwide



Asset Owner Investment Process Alignment with Net Zero



Key Takeaways

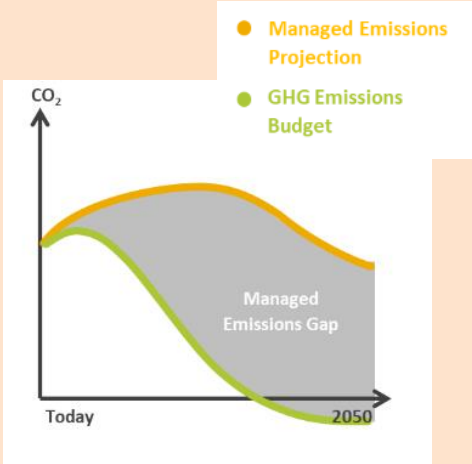
- » The road to Net Zero has just started and we are already late
- » Investors and financial institutions play a key role in enabling a low carbon transition through:
 - » Investment decisions aligned to Net Zero goal
 - » Direct engagement with companies
- » To achieve these goals financial players, need:
 - » Reliable and understandable data on transition risk, physical risks and engagement opportunities
 - » Specific competencies and tools internally or dedicated professional externally to help setting, monitoring and reporting on climate targets and results
 - » Engagement with external asset managers to push and align their Net Zero ambitions with the ones of asset owners



How do we align to Net Zero and
what data is needed?

1. Assess Portfolio Baseline and Forward-Looking Alignment

What are the main data needs for this analysis?

1. Start with the exposure of your portfolio	2. Set the target	3. Analyze the delta
<ul style="list-style-type: none">❑ Carbon Emissions Scope 1,2, 3 Scope 3 needs to integrate upstream and downstream emissions❑ Carbon intensive sectors (oil & gas, transport etc.)❑ Annual reporting of emissions :<ul style="list-style-type: none">• absolute emissions• portfolio wide emissions intensity• sector specific emissions intensity❑ Physical Risks	<ul style="list-style-type: none">❑ Scenario disclosure: compliant with the IPCC report of 1.5°C, no or low-overshoot❑ Intermediate and long term: 2025, 2030, 2050❑ GHG Emissions Projection every year to 2050 taking into account management factors❑ GHG Emissions Budget which measure the emissions the company is allowed to emit until 2050, while being aligned to net-zero (intensity or absolute)	<ul style="list-style-type: none">❑ Difference between Emissions Projection and the Emissions Budget => implied temperature rise 

2. Strategy of Actions : Engagement and Capital Re-Allocation

Use the best of these two strategies to achieve outcome

Asset Owners Alliance

- Engagement targets « *the **most important mechanism asset owners have for contributing to a net zero economy transition*** »
- Can be done alone or as part of collective engagement initiatives such as **Climate Action 100+**
- AOA has published guidelines to inform how their members engage with **asset managers on their proxy votes at corporate AGMs** on resolutions and other issues (such as board member elections) with a direct or indirect link to **climate action**
- Mention of **government policy engagement**
- Portfolio steering : reallocating capital to achieve outcome

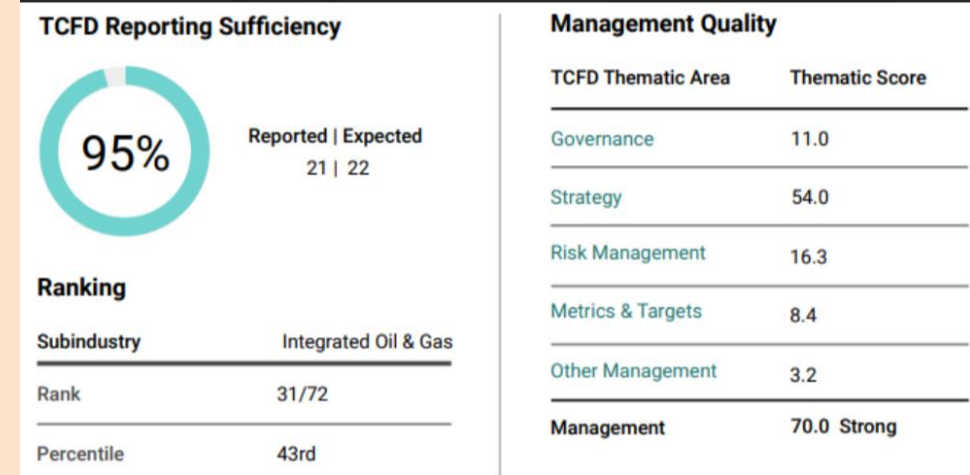
3. Track Progress and Report Publicly

Key aspects

- Public reporting occur periodically, ideally annually
- It should fully reflect and include the same scope and metrics as those applied for target-setting
- NZAM signatories required to publish annually on **Task Force on Climate-related Financial Disclosures (TCFD)** recommendations
- **TCFD disclosure** part of the 10 criteria on **engagement for Climate Action +** and part of the **Net Zero engagement requests of Asset Owners Alliance**

Data needs

- **TCFD alignment of companies on 4 key themes** (i.e., Governance, Strategy, Risk and Opportunity Management, Metrics and Targets)
- Assessment on **reporting sufficiency and performance** vs. benchmark



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