
CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments

CDP Climate change Questionnaire



Executive Summary

In this technical note, we expand on CDP's existing research into credible climate transition plans, by mapping additional disclosure indicators specifically for the financial sector. Our aim is not to create new frameworks but to complement existing guidance and reporting requirements by aligning them with transition plan guidelines and frameworks produced for and by the sector. Additionally, we provide guidance on how financial institutions signatories to the Glasgow Financial Alliance for Net Zero (GFANZ) sector-specific alliances can disclose in line with their net zero commitments.

The financial sector plays a critical role in facilitating the transition to a net zero economy through its financing of real economy activities. To enable transparent and comparable baselines for action, financial institutions must disclose how they are embedding environmental considerations across their businesses. As the regulatory landscape rapidly also evolves, mandatory climate-related disclosures are being widely implemented, including information on transition plans.

CDP offers a TCFD-aligned climate change questionnaire specifically designed for financial institutions. This questionnaire incorporates science-aligned requirements, market needs, and trends in corporate climate change reporting. It has evolved over time to accommodate various frameworks such as the Investor Climate Action Plans (ICAPs) framework and net zero commitments under the sector-specific alliances of GFANZ.

Many financial institutions have committed to achieving net zero emissions through the GFANZ sector-specific alliances. These alliances require climate-related disclosures that demonstrate progress towards net zero. Transition plans have gained prominence as a means to translate commitments into accountable action. Since 2022, several guidelines and frameworks for transition plans have been released for the financial sector by organizations such as GFANZ, the Investor Agenda, and the United Nations High-Level Expert Group on Net Zero Emissions Commitments of Non-State Entities. These have been mapped to the climate change questionnaire for financial institutions and to the disclosure indicators of a credible climate transition plan for the sector.

CDP remains committed to staying up to date with scientific requirements and participating in the development of upcoming standards and regulatory requirements. The first iteration of this Financial Services technical note serves as the initial guide for financial institutions to connect their disclosures to the evolving landscape of net zero commitments and transition plans. Going forward, CDP plans to publish a detailed technical note that outlines the alignment between its questionnaires and the UK Transition Plan Taskforce's disclosure framework.

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Version

Version number	Release / Revision date	Revision summary
1.0	Released: May 26 th , 2023	Publication of the Financial Services Transition Plans and Net Zero Commitments Technical Note
2.0	Revised: July 2023	Revision made to Table 2: Net Zero Asset Managers initiative (NZAM) Commitment – Disclosure Indicators

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1. Introduction

1.1 About this technical note

This technical note supports financial institutions disclosing to CDP through its climate change questionnaire. It indicates how financial institutions can disclose in line with establishing credible climate transition plans and net zero commitments, and how these suggestions map to sectoral guidelines, as well as recommendations made by the United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities.

Section 1 provides an overview of CDP's climate change questionnaire for financial services companies and expands on CDP's general reporting guidance to describe elements of a credible climate transition plan for financial institutions, and associated disclosure indicators.

Section 2 provides context about:

Commitments set by financial sector-specific net zero alliances;

- ▼ [Net Zero Asset Managers Initiative](#) (NZAM)
- ▼ [Net-Zero Asset Owner Alliance](#) (NZAOA)
- ▼ [Net-Zero Banking Alliance](#) (NZBA)
- ▼ [Net-Zero Insurance Alliance](#) (NZIA)
- ▼ [Paris Aligned Asset Owners](#) (PAAO) [formerly known as the Paris Aligned Investment Initiative, or PAII]

Disclosure guidelines relating to:

- ▼ The Investor Agenda's Investor Climate Action Plans (ICAPs) Expectations Ladder;
- ▼ The Glasgow Financial Alliance for Net Zero (GFANZ)'s financial institutions net zero transition plan recommendations;
- ▼ Transition plan recommendations from the United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities.

In section 3, Table 1 provides a mapping of CDP's elements of a credible climate transition plan for financial institutions to guidelines by the GFANZ, UN HLEG, and Investor Agenda (ICAPs). Tables 2-6 provide a mapping of net zero commitment statements by financial sector-specific net zero alliances to the CDP climate change questionnaire.

Section 4 provides further resources to supplement the information detailed in this technical note.

1.2 CDP's Climate change questionnaire and evolving disclosure by financial institutions

The structure of the CDP climate change questionnaire is designed to incorporate climate science-aligned requirements alongside market needs and trends in corporate climate change reporting, including the integration of sector-specific questions for the financial services (FS)

sector¹. Organizations in the FS sector should respond to the CDP questionnaire² in the context of their financing activities, in addition to their operational activities where appropriate. They are presented with sector-specific climate change questions and modifications to existing climate change questions, and provided with specific reporting guidance clarifying the type of information that banks, investors (asset managers / asset owners) and insurance companies should consider in their response.

CDP's financial services questions focus on the following topics:

- ▼ Governance of climate strategy, transition plans, and their implementation
- ▼ Portfolio exposure to environmental risks and opportunities;
- ▼ Environmental issues in the organization's policy framework;
- ▼ Engagement with clients and investee companies;
- ▼ Financed emissions, in line with the Partnership for Carbon Accounting Financials Global GHG Accounting and Reporting Standard for the Financial Industry, and additional portfolio impact metrics;
- ▼ Portfolio alignment to 1.5-degree world; and,
- ▼ Shareholder voting on environmental issues.

CDP recognizes the important role of the Taskforce on Climate-Related Financial Disclosures (TCFD) in mainstreaming climate-related information and advancing the availability of financially relevant information for global markets. Its recommendations ensure climate-related information is integrated into mainstream financial reports, providing transparency and a roadmap for meeting the temperature commitments of the Paris Agreement. CDP committed to align its questionnaires with the TCFD's recommendations, alongside the sectoral focus and adopting a forward-looking approach to climate-risk disclosure. This harmonization continues to help to drive the adoption of TCFD recommendations by reporting companies, optimizing the reporting burden, and speeding-up the generation of decision-useful information for data users.

The TCFD recommendations highlight the important role of the financial sector as preparers of environmental disclosures. Disclosure by this sector enables investors, central banks, regulators/supervisors, and other relevant stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to environmental risks through activities such as lending, financial intermediary, investment and/or insurance underwriting.

A fast-evolving regulatory landscape has accelerated the need for standardized climate-related disclosures, including information related to the net zero transition. Building on the momentum from COP26 (which outlined the influence of non-state actors on accelerating action for a transition towards a 1.5°C world), COP27 led to significant announcements indicating the need for organizations to disclose their plans and progress towards net zero, in preparation for regulatory change. This included recommendations by the UN High-Level Expert Group on Net Zero Emissions Commitments of Non-State Entities, which are set to harmonize claims by campaigns and initiatives and underpin a wave of net zero oriented regulations around the world. For the financial sector in particular, this evolution will continue as emerging standards and jurisdictional regulations position disclosure of portfolio-related Scope 3 emissions as particularly significant. Key examples include:

¹ Activities in the financial services sector that are covered include banking, investing (asset management and/or asset ownership) and insurance underwriting.

² All question numbers in the general climate change questionnaire begin with the letter C. Introduced in 2022, question numbers in the new forests and water module for financial services organizations only, begin with the letters FW. Questions that are unique to companies in the financial sector are labelled using "FS" within the question number.

- ▼ The [UK Transition Plan Taskforce's](#) draft [Disclosure Framework](#) and accompanying [Implementation Guidance](#) provides recommendations for financial institutions to develop gold-standard transition plans. Under current UK reporting rules, many asset owners and asset managers are required by UK regulators and the government to make TCFD-aligned disclosures – which has continually evolved as the TCFD has updated its guidance to reflect thought leadership on net zero transition frameworks. These requirements have been extended to the setting of transition plans.
- ▼ The [International Financial Reporting Standards](#) (IFRS), through the [International Sustainability Standards Board](#) (ISSB), released exposure drafts for its Sustainable Disclosure Standards, and the [European Financial Reporting Advisory Group](#) (EFRAG) approved the first set of [European Sustainability Reporting Standards](#) (ESRS), including its proposed disclosure recommendations on transition plans and scope 3 disclosures, including financial **investments**. The EU's [Corporate Sustainability Reporting Directive](#), together with the EU Sustainability Reporting Standards developed by EFRAG, will require large companies (more than 500 employees) to disclose on their transition plans for climate change mitigation and their plans to ensure that their business model and strategy are compatible with the respect of planetary boundaries of the biosphere integrity and land-system change. Companies previously covered by the NFRD (Non-Financial Reporting Directive) will have to start disclosing in 2025 on FY 2024, whilst other large & listed companies will be required to disclose transition plans the following year.
- ▼ **The US Securities and Exchange Commission's** proposed rule largely tracks the Task Force on Climate-Related Financial Disclosures (TCFD), including reference to transition plans. In its proposed rule, the SEC recognizes CDP's important role in implementing the TCFD recommendations: "the CDP questionnaire fully incorporates the TCFD framework and thus exhibits full alignment."³

Transition plans are also a topic of interest for prudential supervisors looking to assess, monitor and address bank's alignment with the net zero transition. The strategic importance of transition plans to prudential supervisors has been [acknowledged](#) by prominent central bankers, as a mechanism for banks to step up their risk management capabilities. This is an area of potential growth for increasingly stringent supervisory expectations and regulations in the future.

With many emerging mandatory regulations and standards modelled on the TCFD recommendations and the GHG Protocol, companies disclosing through CDP are well prepared for compliance. CDP will incorporate the ISSB's IFRS S2 Climate-related Disclosure Standard into its global environmental disclosure platform, rapidly scaling the global adoption of the standard in advance of it becoming regulation.

Disclosure through CDP's Climate change questionnaire for the Financial Sector allows financial institutions to meet the gold standard in environmental reporting, including:

- ▼ Enhancing transparency that in turn demonstrates a commitment to sustainability, and gain recognition for a commitment to climate and environmental action;
- ▼ Getting ahead of regulation by fulfilling the recommendations of the TCFD (actionable metrics, risks and opportunities);
- ▼ Improving business risk awareness and long-term resilience, identifying financial savings, and enhancing reputation and shareholder confidence;
- ▼ Spurring ambition concerning portfolio impacts and preparedness for the transition towards a 1.5-degree, nature positive future;
- ▼ Enabling data to be shared with multiple stakeholders through one submission.

³ See [The Enhancement and Standardization of Climate-Related Disclosures](#) by Securities and Exchange Commission, page 314.

Companies disclosing robustly to CDP have been shown to increase their environmental ambition over time by leveraging CDP's framework to identify best practice and determine next steps in their environmental journey. As CDP's questionnaire has been mapped against various net zero and transition plan frameworks for financial institutions, disclosing enables an organization to demonstrate alignment with the recommendations from leading industry alliances, initiatives, and frameworks, and CDP recommends comprehensive disclosure across all elements of the questionnaire to display leadership in environmental reporting.

Note that the mapping below references only the Climate change questions in the CDP climate change questionnaire for the financial sector. In 2022, CDP added a module to the end of the Climate change questionnaire for organizations in the financial sector to disclose information on the topics of forests and water security, as well as several high-level questions on biodiversity for all corporates. These topics are beyond the scope of this document – future iterations will be updated to reflect the evolving consensus on nature-related disclosures for financial institutions.

With deforestation and water security both posing substantial financial risks to companies and their financiers and given that there are no routes to a 1.5°C future without tackling climate and nature together, disclosing financial institutions are strongly encouraged to complete the forests and water-related questions where applicable. Those that are taking steps to assess and mitigate these relevant and material risks will be well placed to prosper as the global economy shifts to account for nature-related impacts and dependencies.

The TNFD framework and emerging guidance for nature-related financial disclosures (forthcoming in 2023) support the implementation of target 15 of the Global Biodiversity Framework agreed at the 2022 UN Biodiversity Conference. CDP annually reviews its questionnaires in line with the latest environmental science and is well-positioned to accelerate the implementation of target 15, and to track progress.

1.3 Credible climate transition plans for financial institutions

CDP's [discussion paper](#) and [technical note](#), which are the outcome of an extensive technical review of leading guidance in this space, outline the key elements of a sector-neutral credible climate transition plan and the associated disclosure elements via CDP's climate change questionnaire. CDP has since identified additional sector-specific indicators for financial institutions and mapped each of them to this existing framework.

Across 2022 and 2023, various transition plan guidelines and frameworks have been released. This technical note does not intend to create a new framework – instead, we have identified sector-specific indicators for financial institutions and mapped each of them to CDP's existing guidance for disclosing credible climate transition plans, per Section 3.1 and Table 1.

Financial institutions that are [Capital Markets signatories](#) to CDP can find out more about disclosure data pertaining to the transition plans of real economy companies through their account managers. Transition plan indicators are also included as part of the [CDP Temperature Ratings](#) dataset.

Following the definition and principles of a credible climate transition plan from our [technical note](#):

A credible climate transition plan is a **time-bound action plan** that outlines how an organization will achieve its strategy to pivot its existing assets, operations, and entire business model towards a trajectory aligned with the latest and most ambitious climate

science⁴ recommendations. i.e., halving greenhouse gas (GHG) emissions by 2030 and reaching net-zero by 2050 at the latest, thereby limiting global warming to 1.5°C.

Based on CDP data and research into established frameworks, CDP considers a credible climate transition plan to be defined by the five following characteristics:

- ▼ It supports a strategy for the climate transition, i.e., actions that need to occur for an organization to pivot towards a 1.5°C world, with near-term (five to ten-year) science-based targets (emissions reduction targets in line with 1.5°C pathways), and then long-term science-based targets (SBTs) (for 2050 at the latest)
- ▼ It contains verifiable and quantifiable key performance indicators (KPIs) which:
 - measure the success of an organization's climate transition; and
 - are tracked regularly.
- ▼ It is succinctly integrated into an organization's existing mainstream filings (in annual financial reporting/sustainability reporting/overall business strategy)⁵, and provides an accountability mechanism
- ▼ It is guided by the principles outlined in section 1.4
- ▼ It contains the key elements outlined in Table 1, which are the outcome of an extensive technical review.

These criteria demonstrate that an organization is aligning with ambitious long-term climate goals, and that its business model will transition, in order to be relevant (i.e., profitable) in a 1.5°C world. To avoid potential regulatory shocks, organizations should aim to align, as a minimum, with relevant Paris-aligned policy goals for where the organization operates (this includes direct and value chain operations). Given the number of countries that have committed to net-zero emissions, it is critical that stakeholders are able to assess an organization's plans to align with such a future (refer to [NetZero tracker](#)).

1.4 Principles for a credible climate transition plan

CDP has developed six fundamental principles that will guide the preparation of a credible climate transition plan:

1. **Accountability:** The plan has clearly defined roles and responsibilities. This includes effective governance mechanisms, where the board and C-suite executives are accountable for implementation of the plan.
2. **Internally coherent:** The plan is integrated into the business strategy and financial planning of the organization.
3. **Forward looking:** The plan should reflect considerations of the short- and long-term, trending towards 2050. However, an emphasis on the short-term (the next 5-year timeframe) is critical to achieve long-term climate ambitions, which should be supported by governance mechanisms (new or existing).
4. **Time bound and quantitative:** The plan's KPIs are quantifiable and are outlined for defined timeframes.

⁴ As communicated by the *Intergovernmental Panel on Climate Change* (IPCC) and the *Science Based Targets initiative* (SBTi).

⁵ The exact reporting system utilized may vary by organization. For better accountability, (1) ease of integration and (2) reporting frequency should be the key factors used to assess where to integrate the transition plan.

5. **Flexible and responsive:** The plan is reviewed and updated regularly⁶, with a defined stakeholder feedback mechanism in place (e.g., shareholders, at AGMs).
6. **Complete:** The plan covers the whole organization and its value chain, i.e., any exclusions from the plan must not be material to the organization and/or its impact on the natural environment (ensuring the double materiality principle applies to disclosure of exclusions).

⁶ In alignment with the 2021 update to the TCFD's recommendations, with its integration of transition plans, transition plans should at a minimum be reviewed every five years for continuous relevancy and efficacy and updated if required. The TCFD also notes that progress against the plans should be reported annually, alongside any material, substantive changes to the plan be reported annually (if required).

2. Financial sector guidance, recommendations, and requirements on net zero commitments and climate transition plans

This section outlines the context about initiatives and their requirements and/or guidance, which have been mapped to CDP's climate change questionnaire and to the disclosure elements associated with a credible climate transition plan for financial institutions.

2.1 Financial services sector-specific net zero alliances

As of January 2023, over 550 firms are members of sector-specific net zero alliances across the global financial sector. These independent alliances were brought together as part of the [Glasgow Financial Alliance for Net Zero](#) (GFANZ), and each have established membership criteria which includes the commitment to net zero by 2050, in addition to setting interim targets for 2030 or earlier and reporting transparently on progress along the way.

CDP has mapped the commitments of five of these alliances to [CDP's 2023 climate change questionnaire](#)⁷:

- ▼ [Net Zero Asset Managers Initiative](#) (NZAM)
- ▼ [Net-Zero Asset Owner Alliance](#) (NZAOA)
- ▼ [Net-Zero Banking Alliance](#) (NZBA)
- ▼ [Net-Zero Insurance Alliance](#) (NZIA)
- ▼ [Paris Aligned Asset Owners](#) (PAAO) [formerly known as the Paris Aligned Investment Initiative, or PAII]

2.2 Investor Climate Action Plans

The Investor Agenda is a coalition of seven major NGO groups working with investors, collaborating to develop investor guidance to tackle the climate crisis. They have developed the Investor Climate Action Plans (ICAPs) Expectations Ladder and Guidance, to provide institutional investors with clear expectations for issuing and implementing climate action plans in line with net zero by 2050.

[The Investor Agenda](#) outlines that the Ladder and Guidance can be used by investors to: (1) assess their current approach to managing climate change risk and opportunity; (2) publish a standalone ICAP; (3) embed elements of the ICAPs into their climate change strategies and disclosures; (4) communicate their current activities and plans to stakeholders.”

Financial institutions can disclose their ICAPs through CDP's Climate change questionnaire in line with ICAPs Expectations Ladder and Guidance.

⁷ The following publicly available documents that outline the commitments of each alliance have been used for this mapping: [NZAM](#), [NZAOA](#), [NZBA](#), [NZIA](#), [PAAO](#). These alliances have, in some cases, provided more detailed implementation guidance for net zero and portfolio target setting, which is not the subject of this document.

2.3 GFANZ Financial Institutions Net Zero Transition Plan Recommendations

In November 2022, GFANZ published [voluntary recommendations and guidance](#) to support financial institutions with the development and execution of net zero transition plans. This includes a framework for financial institutions' transition plans, accompanied by suggestions of possible disclosure content for transition plans, which they note are not detailed recommendations.

By analysing GFANZ disclosure suggestions outlined by GFANZ, the mapping in Table 1 indicates which sub-component of the GFANZ framework aligns to CDP's elements of a credible climate transition plan for financial institutions.

2.4 United Nations High-Level Expert Group Recommendations on Transition Plans

The UN-established High-Level Expert Group on the credibility and accountability of net zero emissions commitments of non-state entities released a landmark [report](#) in November 2022. The report offers ten recommendations for what non-state actors, including financial services institutions, must do through each stage of their progress towards net zero. Notably, this includes publishing transition plans. The mapping in Table 1 outlines how CDP's Climate change questionnaire maps to the "Detailed Recommendations" noted in the section of the report titled *Recommendation 4: Creating a Transition Plan*.

3. Reporting against financial sector net zero commitments and action plans

The following section outlines how the CDP Climate change questions for financial services companies map to specific net zero commitment and climate transition plans⁸.

3.1 Reporting on climate transition plans for financial institutions

CDP's climate change questionnaire collects data on climate transition plan elements. Building on sections 1.3 and 1.4, Table 1 below maps the 2023 CDP climate change questions for financial institutions to the key elements of a credible climate transition plan for financial institutions, and to the guidance from GFANZ, the Investor Agenda ICAPs, and the UN HLEG.

Financial institutions can disclose through CDP's climate change questionnaire against the following indicators, to demonstrate that their efforts to transition to a 1.5°C world are in line with having a credible climate transition plan.

Additionally, using the mapping below, organisations can see at a high-level, how each of these disclosure elements map to the guidance noted above, to disclose in alignment with the details suggested by these organisations.⁹ CDP disclosure captures the GFANZ and ICAPs recommendations, thereby providing the platform for comprehensive disclosure.

Please note that we have abbreviated the UN HLEG Recommendation for creating a transition plan to a set of reference indicators (UN4.1 – UN4.19). The full recommendation text along with the indicators referenced in Table 1 are available via Appendix A.

⁸ This mapping has been conducted by CDP, to support financial services companies to disclose comprehensively whilst simultaneously seeing how the questionnaire maps to various net zero and transition plan related requirements and guidelines. Within these, some requirements are high-level and do not have publicly available guidance for how to report against them. This mapping is therefore intended to be used only as a reference point by financial institutions to support them in meeting various external requirements and displaying environmental leadership by disclosing to CDP.

⁹ This table also includes the mapping to the ICAPs Expectations Ladder, which is primarily aimed at asset managers and asset owners. Note that the broader guidance in Table 6 applies to a broader range of financial institutions – including, but not limited to, banks and insurers.

Table 1: Climate Transition Plans for Financial Institutions

CDP Climate Transition Plan Element	Aligned 2023 CDP Question Number for Financial Services	Relevance	TCFD Pillar	ICAPs Expectations Ladder	GFANZ Transition Plan Disclosure Sub-Components	UN High-Level Expert Group Recommendations
Governance	C1.1, C1.1a, C1.1b (Board level oversight)	To ensure accountability for developing an ambitious plan as well as implementation of the plan’s ambitions, board level oversight of the climate transition plan is crucial in steering business strategy towards a 1.5°C aligned trajectory.	Governance	Governance: - Policy Tiers 1, 2 & 3 - Accountability Tiers 3 & 4, - Board Reporting Tiers 1, 2 & 3	Governance: Roles, responsibilities and remuneration	UN4.10: Governance
	C1.1d (Board expertise on climate related issues)	Addressing climate change requires specific expertise related to climate change and its impacts, and the potential direct and indirect effects on the business. Ensuring this capability exists within governance structures indicates an organization’s competence in delivering on its climate transition plan and increases the chance of success.		Governance: - Policy Tiers 1 - Accountability Tiers 2 - Skills Assessment Tiers 1, 2 & 3	Governance: Skills and culture ¹⁰	UN4.10: Governance
	C1.2 (Executive management accountability & feedback mechanisms)	Executive management have responsibility for (1) developing a climate transition plan, and (2) frequently reporting to the board on progress towards realizing the plan’s ambitions.		Governance: - Policy Tiers 1 & 2 - Accountability Tier 4 - Board Reporting Tiers 1 & 2	Governance: Roles, responsibilities and remuneration	UN4.10: Governance
	C1.3, C1.3a (Executive incentives linked to climate performance indicators)	To incentivize conscious action and commitment in implementing the plan, it is recommended that executive management incentives are linked to climate performance indicators.		Governance: - Accountability Tier 1	Governance: Roles, responsibilities and remuneration	UN4.10: Governance

¹⁰ GFANZ recommendations also stipulate that disclosers should provide a summary of access to climate-related resources, and the resource requirements and a change management program needed to embed transition plan elements into culture and practice.

Scenario Analysis	C3.2, C3.2a, C3.2b (Details of scenario analysis)	Scenario analysis is used as a strategic tool to inform the development of the climate transition plan, based on several potential future climatic states.		Investment: - Risk Management Tiers 1, 2, & 3	Implementation strategy: activities & decision making	UN4.4: Sectoral pathways
Strategy to achieve Net Zero	C3.1 (Existence of a "1.5C world" aligned transition plan within business strategy & shareholder feedback)	An organization's climate transition plan should: - be aligned with a 1.5°C world: to signal climate ambition. - be publicly available: to demonstrate transparency. - integrated into the business strategy: to fulfil the principle of internal coherence. - have a defined shareholder feedback mechanism: to incentivize regular feedback collection.	Strategy	Governance: - Policy Tier 3 - Planning and Evaluation Tiers 1, 2, 3 & 4	Foundations: Objectives and priorities ¹¹	UN4.1: Transition plan disclosure UN4.11: Assumptions and expectations ¹²
	C3.3, C-FS3.6, C-FS3.6a, C-FS3.7, C-FS3.7a, C-FS3.8, C-FS3.8a (Link between identified (and potential) climate related risks, opportunities & company strategy)	Here, organizations can explain how climate-related risks and opportunities influenced their strategy and climate transition plan, elaborating on the implementation through the use of policy frameworks and requirements that align business activities with the net zero transition plan.		Investment: - Strategy Tiers 1, 2, 3 & 4 - Asset Allocation Tiers 1, 2, 3 - Additional Target Setting Tiers 2 Corporate Engagement: - Collective / Collaborative Engagement Tiers 1 & 2 - Bilateral Engagement Tiers 1, 2 & 3 - Corporate Escalation and Shareholder Engagement Tiers 1, 2 & 4 Governance: - Policy Tier 4	Foundations: Objectives and priorities Implementation strategy: products and services, activities and decision-making, policies and conditions	UN4.16: Strategy and implementation

¹¹ GFANZ elaborates on the need for detail around the use of carbon credits towards interim and final targets, and after the net-zero target is reached. It also asks for details pertaining to a Managed Phaseout plan. These are all implicit within CDP's notion of disclosing comprehensively in line with a credible climate transition plan, and these details can be attached through disclose to question C3.1.

¹² The UN HLEG recommendations outline that businesses should explain how they are contributing to just transition considerations as part of their transition plans. They recommend that transition plans consider the social consequences and impacts of mitigation actions, including on race, gender, and intergenerational equity.

				- Accountability Tier 2 - Planning and Evaluation Tier 4		
Financial Planning	C3.4, C3.5, C3.5a (Financial planning details associated with a 1.5C world)	Financial planning is crucial when demonstrating that an organization is aligning with climate goals (as elaborated in its climate transition plan), and that it will be relevant (i.e., profitable) in a 1.5°C world. Organizations can use these CDP questions to demonstrate how they have aligned their financial planning with their climate transition plan in the reporting year and at milestone years '2025' and '2030'. Financial details may describe revenue, CAPEX, and/or OPEX projections which are crucial for realizing the plan's ambition.		Investment: - Asset Allocation Tiers 1, 2 & 3 Governance: - Accountability Tier 2 - Planning and Evaluation Tier 4	Foundations: Objectives and priorities Implementation strategy: activities and decision-making	UN4.7: Aligned spending and revenue UN4.16: Strategy and implementation UN4.19: Solution financing
	C-FS4.5, C-FS4.5a (Low carbon products or services)	Organizations can develop their existing and new products or services to support clients and portfolio companies' efforts to transition, and ultimately to decarbonize their portfolios over time, all towards a 1.5°C trajectory.		Investment: - Asset Allocation Tier 4	Foundations: Objectives and priorities Implementation strategy: products and services	UN4.5: Emissions reductions and removals UN4.16: Strategy and implementation UN4.19: Solution financing
Policy engagement	C12.3, C12.3a, C12.3b, C12.3c (Alignment of public policy engagement with climate ambition & strategy)	Ensuring that an organization's climate transition plan is supported by fully aligned external policy engagement (policy, law, regulation, and trade associations) demonstrates an ambitious effort towards achieving a 1.5°C world. For many organizations, a successful climate transition will depend on an accommodative policy landscape, thus companies should advocate for climate-positive policies that impact their relevant sector(s) and are consistent with their climate transition plan. Organizations should also lobby against climate-negative		Corporate Engagement: - Bilateral Engagement Tier 3 Policy Advocacy: - Investor Statements Tiers 1, 2, 3 & 4 - Lobbying Tiers 1, 2, 3 & 4 - Advocacy Tiers 1, 2, 3 & 4	Engagement strategy: government and public sector	UN4.8: Addressing data limitations UN4.15: Lobbying and policy engagement

		policies which could affect their ability to transition.				
Value chain engagement & Low-carbon initiatives	C4.3b (Low carbon initiatives - direct operations)	One of the key elements of a climate transition plan is that it contains time-bound actions to decarbonize business processes and implement emissions reduction initiatives.		Investment: - Additional Target Setting Tier 3 Disclosure: - <i>Commitments, Objectives & Targets Tier 3</i> ¹³		UN4.5: Emissions reductions and removals
	C12.1, C12.1a, C12.5, C-FS12.1b, C-FS12.1c, C-FS12.2, C-FS12.2a (Value chain engagement)	Financial institutions can only achieve science-based net zero targets through the decarbonization of their portfolios; hence, value chain engagement plays a significant role in realizing a climate transition plan. Through their engagement with clients and portfolio companies, by exercising voting rights as shareholders, and through collaborative industry engagements, financial institutions can support and motivate a wider credible transition to net zero.		Investment: - Strategy Tiers 2 & 3 - Asset Allocation Tiers 1, 2 & 3 - Additional Target Setting Tier 2 Corporate Engagement: - Collective/ Collaborative Engagement Tiers 1 & 2 - Bilateral Engagement Tiers 1, 2, 3 & 4 - Corporate Escalation and Shareholder Engagement Tiers 1, 2, 3 & 4	Engagement strategy: clients and portfolio companies, industry	UN4.6: Value chain action UN4.8: Addressing data limitations UN4.18: Stewardship, offsets, and risk management
Risks & Opportunities	C2.1, C2.2, C-FS2.2b, C-FS2.2c, C-FS2.2d, C-FS2.2e (Process for identifying climate related risks & opportunities)	To demonstrate forward planning (which is crucial for a climate transition plan), an organization's transition plan should include or reflect a process for identifying, assessing, and responding to climate related risks and opportunities. This should focus in particular on risks and opportunities that financial institutions are exposed to through their portfolios.	Risk Management	Investment: - Risk Management Tier 4	Foundations: Objectives and priorities	UN4.16: Strategy and implementation UN4.18: Stewardship, offsets, and risk management

¹³ CDP has not listed here the full list of sub-elements within the Disclosure tier of the ICAPs Expectations Ladder, as these apply widely across the whole CDP questionnaire. They are noted here to indicate the alignment between CDP's elements of a credible climate transition plan, and to the ICAPs framework.

	C2.3, C2.3a (Climate related risks - risks, potential financial impact and response strategy)	Details of the risks posed to an organization by climate-related issues, and the estimated potential financial impact of these risks at the corporate level, as well as the response strategy to manage these risks.		*Disclosure: - Portfolio Assessment Tier 3 ¹⁴	Foundations: Objectives and priorities	UN4.16: Strategy and implementation
	C2.4, C2.4a (Climate related opportunities - opportunities, potential financial impact and response strategy)	Details of the opportunities posed to an organization by climate-related issues, and the estimated potential scale of these opportunities at the corporate level as well as the response strategy required to take advantage of these opportunities.		*Disclosure: - Portfolio Assessment Tier 3 ¹⁵	Foundations: Objectives and priorities	UN4.1: Transition plan disclosure ¹⁶
Targets	C4.1, C4.1a, C4.1b, C-FS4.1d (Emissions reduction targets - absolute & intensity)	The plan includes near- and long-term, verified science-based targets, including for their portfolios and all financed emissions, which are in line with the latest climate science to reach a 1.5°C world, with time-bound KPIs. Where this is not feasible, the targets should align to CDP recommended best practice.	Metrics & Targets	Investment: - Alignment Target Tiers 1, 2 & 3 - Additional Target Setting Tiers 1, 2 & 3	Metrics and targets	UN4.2: Targets UN4.12: Annual reporting
	C4.2a, C4.2b (Other climate related targets)	Ambitious climate transition plans will include other climate related targets, including, but not limited to, increased low-carbon energy consumption or production targets.		Investment: - Alignment Target Tiers 1, 2 & 3 - Additional Target Setting Tier 1	Metrics and targets	UN4.2: Targets UN4.14: Natural ecosystems ¹⁷

¹⁴ See footnote 13.


¹⁵ See footnote 13.


¹⁶ Opportunity assessment and management are implicitly part of a comprehensive transition plan. These relate in particular to research and development aspect denoted within UN4.1.


¹⁷ Organisations can disclose various targets pertaining to their management of natural ecosystems within C4.2b. More generally, with deforestation and water security both posing substantial financial risks to companies and their financiers and given that there are no routes to a 1.5°C future without tackling climate and nature together, disclosing financial institutions are encouraged to complete the forests and water-related questions where applicable, to comprehensively indicate the alignment of their actions to protect natural ecosystems. They can do so via the FW-FS module at the end of the climate change questionnaire.

	C4.2c (Net-zero targets)	The plan includes a net zero target, in line with the latest climate science, with time bound KPIs. Third-party verification is considered best practice.		Investment: - Alignment Target Tiers 1 & 2 - Additional Target Setting Tier 1	Foundations: Objectives and priorities Metrics and targets	UN4.2: Targets UN4.5: Emissions reductions and removals UN4.17: Net zero across all asset classes and services
Scope 1, 2 & 3 accounting with verification	C5.2, C6.1, C6.3, C6.5, C10.1a, C10.1b, C10.1c, C-FS14.1, C-FS14.1a, C-FS14.1b, C-FS14.1c (Comprehensive and third-party verified emissions accounting)	A climate transition plan should be accompanied by a complete, accurate, transparent, consistent, and relevant inventory of all three scopes of emissions. Any individual organization may find it important to fully disclose to C5 – C10 and C14, with an emphasis on portfolio emissions and other portfolio impact metrics. • Third-party verification is necessary for credibility and transparency on progress against a climate transition plan. • Companies should calculate and disclose all material categories of scope 3 and provide an explanation for categories that are not relevant.		Investment: - Alignment Target Tiers 1 & 4	Metrics and targets	UN4.2: Targets UN4.3: Verification UN4.12: Annual reporting

Key:

 *Full coverage: There is full coverage of the disclosure recommendations set by this framework by CDP's climate change questionnaire, via the components noted in the box. I.e. CDP's questionnaire meets (and in some cases, exceeds) the disclosure recommendations set by this framework.*

 *Partial coverage: There is partial coverage between CDP's climate change questionnaire and the disclosure recommendations set by this framework. At a high-level, any key differences are noted as footnotes.*

 *Not applicable: The mapped framework does not require the disclosure of this information, whereas CDP's questionnaire does.*

3.2 Reporting Against Net Zero Commitments

Tables 2-6 list each section of the net zero commitments of NZAM, NZAOA, NZBA, NZIA and PAAO, providing a list of relevant questions in CDP's climate change questionnaire. Organisations can use this list to disclose information relevant to their net zero commitments made with these alliances.

Note that NZAM and PAAO include commitments to reporting in line with the TCFD recommendations. CDP has published a detailed [technical note](#) mapping all TCFD-aligned climate change questions, which can be used alongside this technical note. For brevity, the TCFD-aligned questions have not all been listed in this document. The specific parts of these commitments are:

- ▼ NZAM Commitment 10: *Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made here.*
- ▼ PAAO Commitment 10: *Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.*

Table 2: Net Zero Asset Managers Initiative (NZAM) Commitment – Disclosure Indicators

Net Zero Asset Managers Initiative (NZAM) Commitment	2023 CDP Questions for the Financial Services sector
<p>My organisation commits to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner.</p> <p>a. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM').</p> <p>b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.</p> <p>c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.</p>	<p>C-FS4.1d, C4.2c, C-FS12.1b, C12.5</p>
<p>1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C.</p>	<p>C4.1, C4.1a, C4.1b, C-FS4.1d</p>
<p>2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.</p>	<p>C-FS14.1, C-FS14.1a, C-FS14.1b, C-FS14.1c</p>
<p>3. Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest.</p>	<p>C-FS2.2b, C-FS2.2c, C-FS3.6a, C4.3c, C-FS12.1c, C-FS14.3, C-FS14.3a</p>
<p>4. If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions.</p>	<p>C3.5, C3.5a, C11.2, C11.2a</p>
<p>5. As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions.</p>	<p>C-FS4.5, C-FS4.5a</p>
<p>6. Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity.</p>	<p>C-FS2.2b, C-FS2.2c, C-FS12.1b</p>

7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner.	C-FS2.2e, C-FS3.6, C-FS3.6a, C-FS3.6b, C-FS3.7, C-FS3.7a, C-FS12.1c, C-FS12.2, C-FS12.2a
8. Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner.	C12.1d
9. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner.	C12.3, C12.3a
10. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made here.	C3.1, C12.4

Table 3: Net-Zero Asset Owner Alliance (NZAOA) Commitment – Disclosure Indicators

Net-Zero Asset Owner Alliance (NZAOA) Commitment	2023 CDP Questions for the Financial Services sector
My organization commits to transitioning its investment portfolios to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels, taking into account the best available scientific knowledge including the findings of the IPCC, and regularly reporting on progress, including establishing intermediate targets every five years in line with the Paris Agreement Article 4.9.	C 3.5, C 3.5a, C 4.1, C 4.1c, C-FS 4.1d, C 4.2c, C 4.3c, C-FS14.3
My organization fully endorses and understands in order to meet our fiduciary duty to manage risks and achieve target returns, this Commitment must be embedded in a holistic approach to managing sustainability considerations , incorporating but not limited to, climate change , and must emphasize GHG emissions reduction outcomes in the real economy .	C 2.1, C-FS 2.2b, C 3.1, C 3.3, C 3.4, C-FS 3.6, C-FS 12.2
My organization will seek to reach this Commitment , especially through advocating for, and engaging on, corporate and industry action , as well as public policies , for a low-carbon transition of economic sectors in line with science and under consideration of associated social impacts .	C-FS 3.7a, C-FS 12.1c, C 12.1d, C 12.1e, C12.3, C 12.3b, C 12.3c, C 12.5, C-FS 14.3a

<p>Tracking and communicating on progress, by</p> <ul style="list-style-type: none"> • setting intermediate individual targets, in line with the Alliance’s Target-Setting Protocol, within 12 months of joining • publishing intermediate individual targets • disclosing annually and publicly on progress towards intermediate individual targets, including on investment portfolios’ emissions profile and emissions reductions • reporting intermediate individual targets and annually on progress towards intermediate individual targets, via the internal Alliance reporting template/tool for aggregation and publication in the Alliance progress report • where the Alliance has or establishes a Position, considering1 to adopt and publish, where applicable, a corresponding individual investment policy or approach, informed by the Alliance’s Position, as applicable within twelve months of joining the Alliance, or within twelve months of publication of the Alliance Position 	<p>C-FS 3.6a, C-FS 3.6b, C-FS 3.7, C 12.4, C-FS 14.1</p>
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Table 4: Net-Zero Banking Alliance (NZBA) Commitment – Disclosure Indicators

Net-Zero Banking Alliance (NZBA) Commitment	2023 CDP Questions for the Financial Services sector
<p>Transition all operational and attributable GHG emissions from our lending and investment portfolios to align with pathways to net-zero by mid-century, or sooner, including CO2 emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. This approach will take into account the best available scientific knowledge, including the findings of the IPCC, so we commit to review and (if necessary) revise our targets at least every five years after the target is set.</p>	<p>C 3.1, C 3.5, C-FS 4.1d, C 4.2c</p>
<p>Use decarbonization scenarios which: are from credible and well-recognized sources; are no/low overshoot; rely conservatively on negative emissions technologies; and to the extent possible, minimize misalignment with other Sustainable Development Goals. We will provide a rationale for the scenario(s) chosen.</p>	<p>C 3.2, C 3.2a, C 3.2b</p>
<p>Prioritize our efforts where we have, or can have, the most significant impact, i.e. the most GHG-intensive and GHG-emitting sectors within our portfolios, which are key to the transition to a net-zero carbon economy</p>	<p>C-FS 2.2b, C 3.3</p>
<p>Use the bank-led UNEP FI Guidelines for Climate Target Setting for Banks (“Guidelines”) to set scenario-based intermediate targets for 2030, or sooner, for priority GHG-intensive and GHG-emitting sectors.</p>	<p>C 4.1c</p>
<p>Publish annually and share with UNEP FI for review, to monitor consistency with the UN Race to Zero criteria and evidence that action is being taken in line with the commitments made here:</p>	<p>C 1.1b, C-FS 3.6, C-FS 3.6a, C-FS 3.6b, C 4.1, C 12.4,</p>

<ul style="list-style-type: none"> • progress against absolute emissions and/or emissions intensity targets following relevant international and national GHG emissions reporting protocols and/or climate portfolio alignment methodologies; • progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies; and • disclosure for key sectors will be made within one year of setting of the target. 	C-FS 14.1, C-FS 14.2b
<p>We will meet this commitment through:</p> <ul style="list-style-type: none"> • facilitating the necessary transition in the real economy through prioritising client engagement, and offering products and services to support clients' transition; • engaging on corporate and industry (financial and real economy) action, as well as public policies, to help support a net-zero transition of economic sectors in line with science and giving consideration to associated social impacts; and • supporting innovation, the near-term deployment of existing viable technologies, and scaling up the financing of credible, safe, and high-quality climate solutions that are compatible with other Sustainable Development Goals. 	C-FS 2.2e, C 3.5a, C-FS 3.8, C-FS 3.8a, C 4.3c, C-FS 4.5, C-FS 12.1b, C 12.1d, C-FS 12.2, C 12.3, C 12.5, C-FS 14.3a
<p>In implementing and reaching targets for all Scopes of emissions, offsets can play a role to supplement decarbonisation in line with climate science. The reliance on carbon offsetting for achieving end-state net zero should be restricted to carbon removals to balance residual emissions where there are limited technologically or financially viable alternatives to eliminate emissions. Offsets should always be additional and certified.</p>	C11.2, C11.2a

Table 5: Net-Zero Insurance Alliance (NZIA) Commitment – Disclosure Indicators

Net-Zero Insurance Alliance (NZIA) Commitment	2023 CDP Questions for the Financial Services sector
Transitioning all operational and attributable greenhouse gas (GHG) emissions from its insurance and reinsurance underwriting portfolios to net-zero emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100 in order to contribute to the implementation of the COP21 Paris Agreement...	C 3.1, C 3.2, C-FS 14.3
Establishing , to the extent permissible by applicable laws and regulations, its intermediate, science-based targets every five (5) years in line with Article 4.9 of the Paris Agreement...	C 4.1, C-FS 4.1d, C 4.2c, C-FS 14.1
Supporting the implementation of corporate disclosure frameworks relevant to the net-zero transition and the insurance industry...	C 12.5
Supporting the implementation of global policy frameworks relevant to the net-zero transition and the insurance industry...	C 12.5

Signing the UN Principles for Sustainable Insurance prior to or upon joining the NZIA, or at the latest within one year of joining the NZIA.	C 12.5
Seek to meet this Commitment through net-zero approaches relevant to insurance and reinsurance underwriting portfolios, in such a manner that is at the discretion of my company and in accordance with applicable laws and regulations...	C 2.1, C-FS 2.2b, C-FS 2.2e, C 3.3, C 3.5, C 3.5a, C-FS 3.6 C-FS 3.6a, C-FS 3.6b, C 4.3c, C-FS 4.5, C-FS 12.1b, C 12.3,
Aim to transition its investment portfolio to net-zero GHG emissions by 2050 and consider joining relevant initiatives (e.g. Net-Zero Asset Owner Alliance) in order to achieve, within my company, a consistent approach to net zero	C12.5, C-FS14.3
Work together with insurance associations, insurance and financial regulators and supervisors, governments, trade bodies, policymakers, the UN and other intergovernmental organisations to promote the goals of the NZIA, and to seek consistency of regulatory, supervisory and governmental policy frameworks with the net-zero transition.	C 12.3b
Engage with non-member insurance industry, financial sector peers and trade bodies; leading scientific methodological and data-related organizations; academia; non-governmental organizations; and other key stakeholders on the goals of the NZIA.	C 12.1d, C 12.3b

Table 6: Paris Aligned Asset Owners (PAAO) Commitment – Disclosure Indicators

Paris Aligned Asset Owners (PAAO) Commitment	2023 CDP Questions for the Financial Services sector
General Commitment: Our institution’s commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investor to set targets and implement strategies. In some asset classes or for some investments strategies, agreed net zero methodologies do not yet exist. We will, therefore, work to address these challenges, including through the Paris Aligned Investment Initiative	C12.5

1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050	C3.1, C3.5
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework.	C4.3c, C-FS14.3, C-FS14.3a
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1,2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the Intergovernmental Panel on Climate change special report on global warming of 1.5°C.	C4.1, C4.1a, C4.1b, C-FS4.1d, C4.2c, C-FS14.1, C-FS14.1a, C-FS14.1b, C-FS14.1c
4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.	C11.2, C11.2a
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner.	C12.3, C12.3a, C12.3b
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner.	C-FS2.2e, C-FS3.6, C-FS3.6a, C-FS3.6b, C-FS12.1c, C-FS12.2, C-FS12.2a
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.	C-FS3.7, C-FS3.7a, C-FS4.5, C-FS4.5a, C12.1d
8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.	C4.1, C4.1a, C4.1b, C4.2c, C5.2, C5.3, C6.1, C6.3
9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.	C3.1, C4.1, C4.1a, C4.1b, C-FS4.1d, C4.2c, C12.4
10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.	C12.4, C-FS14.3

4. Appendix & references

Appendix A: UN HLEG Recommendation 4 Indicators

HLEG Recommendation 4: Creating a Transition Plan	CDP Indicator
Non-state actors must publicly disclose comprehensive and actionable net zero transition plans which indicate actions that will be undertaken to meet all targets, as well as align governance and incentive structures, capital expenditures, research and development, skills and human resource development, and public advocacy, while also supporting a just transition. Transition plans should be updated every five years and progress should be reported annually.	UN4.1: Transition plan disclosure
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 materials non-CO2 greenhouse gas emissions.	UN4.2: Targets
Detail the third-party verification approach and audited accuracy.	UN4.3: Verification
Reference credible sector pathways consistent with limiting warming to 1.5°C with no or limited overshoot (e.g. IPCC, Network for Greening the Financial System (NGFS), One Earth Climate Model (OECM)) and explain any materials difference between the non-state actor's transition plan and sector pathways	UN4.4: Sectoral pathways
Explain emissions reductions and, if needed, removal actions with time-bound key performance indicators. If removals are needed, explain why.	UN4.5: Emissions reductions and removals
Demonstrate how specific actions across all parts of the non-state actors' value chain will meet near-, medium- and long-term targets.	UN4.6: Value chain action
Disclose how capital expenditure plans, research and development plans and investments are aligned with all targets (e.g. capex-alignment with a regional or national taxonomy) and split between new and legacy or stranded assets. Outline actions to address any data limitations.	UN4.7: Aligned spending and revenue UN4.8: Addressing data limitations
Detail value chain (e.g. suppliers) engagement approach.	UN4.9: Value chain engagement
Explain governance structure for transition and verification. Describe linking of near- and long-term targets with executive compensation.	UN4.10: Governance

Outline the specific policies and regulations, including carbon pricing, needed to facilitate transition plans.	UN4.11: Assumptions and expectations
Report on progress annually – especially in regards to targets, and explain plan changes on an annual basis.	UN4.12: Annual reporting
<p>Transition plans should explain how the non-state actor is contributing to a Just Transition. The delivery of a net zero and climate resilient economy in a way that delivers fairness and tackles inequality and injustice. These transition plans must consider and address the broader social consequences and impacts of mitigation actions, including on race, gender and intergenerational equity. Examples could include:</p> <ul style="list-style-type: none"> • a company, in partnership with its workers, unions, communities and suppliers has developed a Just Transition Plan; • a company discloses how its plan integrates the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and specifically the principle of free, prior and informed consent. 	UN4.13: Just transition
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.	UN4.14: Natural ecosystems
Disclose how lobbying and policy engagement policies and activities are consistent with the non-state actor’s net zero targets.	UN4.15: Lobbying and policy engagement
Demonstrate how all parts of the business (investment advisory, investment, facilitation, etc.) align with interim targets and long-term net zero targets, including a strategy to identify and progressively phase out stranded assets.	UN4.16: Strategy and implementation
For those asset classes or services for which emissions cannot (at least to date) be calculated, explain how net zero commitments are addressed or considered.	UN4.17: Net zero across all asset classes and services
Include engagement targets that include voting (especially proxy) strategies in line with decarbonisation and escalation policies, policies on carbon credits and offsets, and the institution’s transition risk management strategy, including physical risk.	UN4.18: Stewardship, offsets, and risk management
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.	UN4.19: Solution financing

5. Useful Resources

More information about CDP's questionnaires, associated reporting guidance, and technical notes detailing the alignment of CDP's questionnaires to TCFD and transition plans:

- [Questionnaires and Reporting Guidance](#) for disclosing companies (2023)
- [FAQs for companies](#), [including guidance for how to disclose to CDP even if you have not been requested to] (2023)
- [Climate Transition Plan: Discussion Paper](#) (2021)
- [CDP Technical Note: Reporting on Transition Plans](#) (2023)
- [CDP Technical Note on the TCFD](#) (2023)

The net zero commitment statements and guidance documents referenced throughout this document:

- Net Zero Asset Managers Initiative, [The Net Zero Asset Managers Commitment \(2021\)](#)
- UN-convened Net-Zero Asset Owner Alliance, [Commitment Document for Participating Asset Owners](#) (April 2022)
- UN-convened Net-Zero Banking Alliance, [Commitment Statement](#) (April 2021)
- The Net-Zero Insurance Alliance, [Statement of commitment by signatory companies](#) (July 2021)
- The Paris Aligned Investment Initiative, [Net Zero Asset Owner Commitment](#) (March 2021)
- The Investor Agenda, [Investor Climate Action Plans \(ICAPs\) Expectations Ladder](#) (May 2021)
- Glasgow Financial Alliance for Net Zero, [Financial Institution Net-zero Transition Plans](#) (November 2022)
- United Nations' High-level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, [Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions \(November 2022\)](#)