

NZAOA AGM 2024

Secretariat Cleaned-up Notes

Day 1

Opening of the AGM

Video message from UN Secretary General, Antonio Guterres

- Countries should adopt NDCs, aligning with 1.5-degree limit
- Follow-through on transition plans by COP30
- Work collectively with others

<https://press.un.org/en/2024/sgsm22442.doc.htm>

Opening remarks from Gunther Thallinger, Allianz

- New AOA Member: NYS Comptroller – to be announced Nov 14
- Focus on agenda, not geopolitics/US elections
- Highlighted the AOA's global membership and -6% absolute emissions reduction
- The NZAOA brings experts together across a range of financial and climate actors
- UN-convened: helps to speak from one direction
- Members have the tools and know-hows to integrate climate within (instead of parallel to) investment strategies, effectively assessing risk and returns for positive impact.
- The Progress Report builds credibility and trust, on setting targets, implementing measures, and achieving results. It shows that the AOA can drive systemic change, which feeds into how to achieve real economy change, exploring further opportunities with companies, sectors, and policymakers.
- TSP is the foundation of AOA's achievement/commitment. It is also an opportunity to improve communication, clarify challenges faced, and relay this information to governments. Asked members if there is a form of contingency to bring in next e.g. setting contingent targets.
- Asset manager engagement is critical, especially for private markets. Allows the AOA to effectively convey economical reasoning for overall return achievement. Highlighted the necessity of AOs talking with their AMs.
- Regional development must be reflected. Members to share word-of-mouth recommendations as a recruitment tool. If all players have incorporated carbon pricing into their financial decision, AOA can gain from the collective adoption.

- With other institutions acting on climate change, the potential result could be for the world to have capitalism that is net-zero.

Setting the scene, Jake Barnett, Wespath

Outlined agenda for the AGM

- **Day 1:** Refined Vision 2030 and value proposition, critically thinking about where NZAOA sits in the wider ecosystem, and receiving regional perspectives from the SG reps.
- **Day 2:** What are the initiatives we want to champion for the next 5 years? Translating the set strategy into specific work with energy that carries AOA forward, elaborating on the concept note put forward. Collaboration tied back to core economic performance and increasing real world impact long term.
- Jake Barnett, Wespath, outlined the AGM agenda. Day 1 intended to cover the NZAOA high-level strategy for Vision 2030 and value proposition. Day 2 was to translate the set strategy into specific work that the AOA can carry forward.

Insights on the latest climate science

Video message from Jim Skea, IPCC

Provided a scientific consensus on net-zero and temperature outcomes.

- Shared graphs with different scenarios of global warming, temperature outcomes on limiting/exceeding 1.5C by 2100
- Emissions from land use change have gone down from 2022 to 2023. Emissions from other sources have increased since coming out of COVID, with GHG emissions continuing to rise.
- Implementation gaps – 42% decrease for 1.5 deg, 28% decrease for 2 deg. Global emissions need to fall by 7.5% by 2035 to stay on track
- If NDC ambitions remain at current levels, temperatures are likely to go up to 3.3 degrees by 2100. Only NDCs are not enough, so all net-zero pledges are relevant.
- There will be an extra 0.1 degrees warming for every 5.2-year delay
- *Burning embers diagram by IPCC* shows how risks can be communicated, since we are looking at very high risk beyond 1.5C and 2C
- Considering tipping points that can emerge under different conditions of warming. There is no single tipping point across the world – they are different across ecosystems and regions.
- Abrupt change is not impossible.

Discussion facilitated by Gunther Thallinger, Allianz

Macro risk

- Common understanding that if investors care about financial stability and macro risk, climate should be integrated in their strategy.

How can the AOA have impacts beyond their investments?

- Opening honest discussion on what else can be done to create impact in the real economy, leveraging on the UN-convened status and vehicle of this Alliance

- Going beyond divestment/excluding/engagement in climate leaders as this is not deemed sufficient. For 2030 targets divesting is not enough without hurting portfolios.
- Investors alone can't solve climate change so it's about transparently communicating what is needed and the levers/limitations investors face
- Resilience and adaptation are too separate from mitigation and emissions reduction. There is a need to integrate these conversations more and focus on metrics to directly install this into investee companies and incorporate into executive compensation.

Portfolio decarbonisation vs. real world decarbonisation debate

- If *all* investors attempt to decarbonise their portfolios, the system will shift at the macro level
 - Investor's role is to allocate capital, we are not responsible for other companies' emissions.
- Capital allocation is not the problem to be focused on, instead this should shift to real world emission reduction.
 - Out of one AO's 63% portfolio decarbonisation, only 13% come from real-world reductions
 - A common understanding was reached that the economy is misaligned, members understand there are multiple different ways to achieve decarbonisation, all within the AOA have shared end goals.

NZAOA strategic direction – Vision 2030

NZAOA in the wider ecosystem

Opening remarks from David Atkin, PRI

- World is at a different place than 5 years ago
- The emerging headwinds are a sign that we are doing something right and creating change
- We should focus on leveraging our influence to catalyse influence across the sectors
- The more active members have and the more active our members are, the more impact we'll have

Value of the AOA

- The value of AOA is the Alliance as a whole and not the individual members on their own
- The AOA can bring asset owners together and they can learn from each other
- The members can develop and shape the space further in a direction that is beneficial to their goals
- There is a lever in expressing our view as one powerful and loud voice
- The AOA is only worth as much as the resources are being allocated to the right place
- We are not yet decisive in how to invest this money long-term

Policy engagement

- Policy engagement has been an underused tool of the AOA in the past 5 years
- As there are different maturity levels on the skillsets to engage policymakers, we can make use of peer-learning and share best practices on policy engagement
- If the skills are not present in our membership, we should invite external experts and use the AOA as a learning platform
- The policy track enables members to advise policymakers on the right actions they can take to crowd in private sectors and decarbonize the economy
- The G7 governments are particularly keen to hear from the AOA
- Some of the tracks currently are ineffective, as they don't represent the member organization fully
- Each of the tracks should be sourced with the right people, i.e. topic experts, sustainability experts and investment experts
- Commitment and engagement on C-Suite level is essential to be effective

- Principals should speak to other principals for them to stay engaged

Existing resources

- There is an existing best-practices document from ETrack on policy engagement of asset managers
- Many AMs have not yet adopted them
- Each AO should ask from their AMs that there is a high-level commitment and then it is implemented across the organization

Additional levers of our members

- Investee companies do not always follow through with their commitments (see InfluenceMap)
- AOs can make sure that they follow through
- AOs can collaborate with the wider ecosystem to maximize their leverage (e.g. insurers, banks)

Regional perspectives and NZAOA's value proposition

Asia perspective

- Only 7 members from Asia but represent 1.7 trn including Prudential HK and QBE Australia
- To reduce emissions in Asia, we need to focus on Transition Finance.
- Even in Japan, there is a lack of sufficient land for renewable energy, and challenges with deploying nuclear energy
- In other parts of Asia, coal plants are still necessary for energy security reasons, and new coal plants are coming online with over 20 years of useful life left
- In view of this regional challenge, Nippon Life and Prudential HK both created transition finance framework to address this gap.
- Nippon Life's TF framework allows for hard-to-abate sectors like steel production to be classified as transition, with guardrails that require projects to be aligned with the Paris Agreement. In addition, if corporates have more ambitious goals than the local jurisdiction, they can be accounted for their net zero ambitions accordingly.
- Similarly, Prudential HK has a TF framework focusing on emerging markets. 90% or more of the assets are mandated to be invested in an emerging market such as Thailand. China and India, with national net zero goals later than 2050. With this TF framework, they seek to clarify that if the companies' ambition is better than the country's NDC, it is considered Transition Finance?

- In addition, Asia and Japan lack in harmonized regulations on emissions reporting, deforestation etc. There is also no harmonized taxonomy.
- Going forward, a global goal is needed for credibility, but regional flexibility is desirable.
- To extend the membership, perhaps there could be a runway or an alignment partnership (light version of the membership) before an AO fully joins the AOA.

European perspective

- Regional differences have to be respected to remain viable, this is an important dimension to consider.
- There is a need to master new regulations and their outputs and to engage with the complexity in senior public affairs, acknowledge the contingency and consequences, and bring more people to the table.
- The private asset dimension is key in Europe. A lot of private assets in the portfolio call for engagement with GPs/AMs individually and collectively. It is good to set an engagement and first draft (iCI) to be decisive and create momentum, followed by engagement.

North America perspective

- The investment landscape in North America:
 - Most pension funds operate in a complicated political environment even in Canada,
 - 2 of the 4th largest oil and gas producers are US and Canada (Western democracy) complicates the climate discussion,
 - Federalist controls little of Canadian life.
 - Pension funds are very separate from the government despite being publicly owned.
- Pension plans have different structures and model:
 - Pension funds in Canada have more hands on in-house active asset management (the Canadian model)
 - Pension funds in America tend to be externally managed (passive with more political influence)
- Most Canadian investors have an approach to transition.
- In the US, it is risky to make a statement to join the AOA.
- However, AOA has a role to play, once the dust has settled (from the recent election)

Africa perspective

- Africa, represented by 54 countries, accounting for 2 trillion worth of assets, remains a small player in the global scheme.
- South Africa is a big player within the continent and emission reduction is not the priority. Adaptation and economic development priority for the continent.
- Political engagement is needed to bridge conversation with context of green industrialization, which is complex as the region relies heavily on natural resources extraction for economic development. Oil and gas are exploited below carbon budgets, which makes conversations around decarbonization incredibly difficult,
- While some markets (i.e., Kenya/Nigeria) have made ESG disclosure guidelines beyond TCFD, GRI, they remain voluntary. Data is an issue.
- The focus should be steering towards “solutions rather than mitigation”.
- Different AO has different mandates – Insurance – high quality of assets
 - Listed equities – push for disclosure.
 - Fixed income – not listed, don’t see the need to disclose, bad data quality
 - Private-public partnership – for utilities and infrastructure, Critical engagement needed for investors to participate. Need to link climate challenges to economic solutions, and socio-economic concerns into the climate conversation
 - Alternative assets around economic development and the infrastructure projects and renewable energy as main avenue of investment, and type of fund structures held
 - Moving beyond engagement and proxy votes, to set agendas for asset managers on targets and strategy. Engagement methodology is well-structured to support transition finance.

Discussion Prompt #1

- We are lacking representation from Central and Latin America. We’re missing representation in big markets like China and India.
- Increasing in reporting burden in the EU, we don’t want our work to become a compliance tick the box exercise. It has a strategic angle on capital allocation. AOA should be value adding, not a nice to have.
- What should the AOA do to help you deliver in your org?

Discussion

- Subsidiaries of other members (e.g. in the US) could be used to leverage to break into new markets/geographies
- We need to have a strong stand on transition finance given the different regional realities. With Transition finance explained the right way, it opens lots of opportunities in terms of economic growth and job creation.
- It is necessary to push for energy transition using blended finance, especially in the emerging markets.
- Improve attractiveness and better articulate flexibility in the TSP which appears to be constrictive and think about articulating investing according to NDCs to allow Indian and LATAM AOs to become members if they are on pathways that are realistic.
- While FIs work on regional investment jurisdictions, international institutional investors may find it difficult to align with specific jurisdiction regulatory environments
- Systemic effect on differences can be reinforced by increasing the diversity in voices.
- China, India, US are the major emitters according to IPCC. To be more inclusive, we could introduce more flexibility in the framework or provide carveouts for transition finance. That being said, investing in transition finance leads to the risk of overshooting - thus the key objective is to link decarbonization of portfolios to real economies and NDCs.
- UN Secretary General's comment to the AOA: what does it take to create national investment plans and sectoral pathways? In the upcoming COP29, the focus will be on public finance, and the next COP in Brazil will be on the next generation of NDCs
- China, and India have climate pledges, but not by 2050, making it difficult to bring them on board of the Alliances. We need to balance global ambition while respecting regional differences – decarbonization models don't offer enough granularity for regions in the global south, only in the north. More improvement in decarbonization models in the global south is needed. The steering group, together with the regional group can bring more of this to the forum.
- Consider anchoring the TSP according to national pathways for China (2060) and India (2070), so that they can join as well, use a highlighting algorithm to identify these members for monitoring.
- Depth of institutional markets also different and recognize that AOs may not necessarily exposed to emissions reduction. For instance, China is the largest

renewable energy investor in the world, we need to recognize their investment on these technologies. To focus on principles, and building up the clean economy, beyond just decarbonization.

Discussion Prompt #2

- 4 points on AOA value proposition:
 1. The need to have meaningful investment strategies in our portfolios for real world impact, linked to transition finance which could be further explored in AOA
 2. Best practice sharing and collaboration is what the AOA stands for – AMs, policymakers, regulators and other relevant stakeholders
 3. Creating a unified voice for engagement with stakeholders – Asset managers and policymakers/regulators
 4. Credibility for each member to speak on climate

Discussion

- Not to forget Paris agreement within the value proposition
- Agrees with inclusion of Paris Agreement with exception of different regions AOA is considering in next 5 years, and how the next TSP is framed. Question around Paris Agreement 2050 and if this will need to be re-adjusted to accommodate for the global south, increasing flexibility of the alliance 'fringe membership'.
- Recognize whether we position ourselves to be inclusive for NZ beyond 2050 for regional consideration or to be aligned with Paris Agreement and 2050.
- Different timelines make sense for the common but differentiated approach for energy transition such as (fossil fuel) phase out. From an economic and an equity perspective, where there is newer energy infrastructure, another timeline could be relevant. AOA does allow flexibility – for instance, the NYC Comptroller has net-zero target by 2040. AOA accelerated timeframes in the US and Europe to 'balance' out emerging markets in, willing to embrace language that there is an expectation of accelerated decarbonization is not easy to balance.

Closing note and key actions

- The AOA should have global emission reductions goals on a whole, but also specify the targets (TSP), communications and onboarding to cater to regional differences.
- Growth needs to happen also in those regions where most needed.
- Development of economies like China such as the rapid deployment of solar capacities - can we consider this form of metrics/targets for the global south?
- Real world impact can be fostered, but we won't achieve it alone
- Key actions:
 - Regionalization work to start with the Steering Group and bring into expert teams
 - Involve different levers of our members, positive examples are within our membership
 - Policy experts needed in-house for engagement
 - Communicate how the TSP can be utilized

Day 2

Welcome and Overview of the Day

Discussion-framing remarks:

- NZAOA should remain a high mission alliance
- Members are looking beyond the financial sector to instill real-economy change
- Policy engagement, whether in the regulation space or other, is key
- Modest growth should now be the ambition
- Regionalization of the commitment is on the table (considering contingency-based targets in different jurisdictions, particularly India and China)

Principles for having a productive discussion were shared with members.

NZAOA Vision 2030

What specific project are members excited to contribute towards over the next five years?

(organized from more to less concrete)

- Clarifying and re-working the TSP to embed flexibility and regional differentiation
- Define NZAOA's collective voice on transition finance, putting into NZAOA practices (incl. TSP), regional and sector differences
- Collaboration and peer-exchange for private markets. Establishing 'good' engagement for private assets, where data/providers are an issue
- Engaging a much wider set of stakeholders for systemic change
- AM assessment and systematic engagements, including on policy and on their shortcomings.
- Address the lack of knowledge around green bond principles
- Policy engagement needs to take into account different member appetites, different skills/resources; global positions to be adjusted and regionally adapted
- Conference with a mission in first half of 2025 with policymakers, tool for NDCs ambition and used as a NZAOA tool for recruitment and retention.
- Nature and biodiversity mapping exercise to show what other initiatives are doing to avoid duplication
- Q&A function on the extranet, to ask things and engage w/peers. Sharing more internal documents such as FAQs
- Real world impact (a repeated underlying focus).

Policy, Engagement and TSP

Expanding Policy Engagement and COP 30

- What the track has done so far: tailored content development, so that it would peak the interest of policymakers). Engagement both with media and directly with governments.
- Member example of successful policy engagement: Canadian committee on sustainable fin; developed a final paper (with wide industry support), that was then challenged by the government. However, the group remained engaged and did the following:
 - Talked to multiple government departments (do not assume they talk to each other)
 - Was prepared for big knowledge gap with government officials
 - Did not show the technical reports in full, but rather simple messaging with key statistics
 - Gained support from others: NGOs, youth groups, financial industry associations
 - Leveraged media
 - Found internal advocates within the government
- Takeaways for the NZAOA Policy Track:
 - Set clear objectives and find how they align with the government's goals
 - Don't treat engagement as 'once and done'
 - Bring the global perspective and the investor clout

How can we best leverage AOA's geographic reach to extend engagement? In the context of COP 30, what are the policy debates we need to feed into? What are the topics where we should be developing NZAOA thinking?

Topics:

- Renewable energy, support tripling renewables and doubling efficiency.
- Tropical deforestation
- Blended finance—policy or financial engineering with relevant institutions
- Green growth, to avoid political polarisation
- Investing in the transition in the emerging markets
- Turning investable NDCs into transition plans
- Transition finance frameworks

Discussions on regional policy engagement:

- Carbon pricing as a potential topic
- Sub-regional groups for policy progress (in the US for example) could have greater impact
- important to reach China/India; this needs to take place at local level; recommendation to leverage members global footprint, e.g. PRI's sovereign work

Internal “policy”—reducing the reporting burden for members

- Interoperability between PRI, NZAOA, and legally-required reporting frameworks should be prioritized
- Harmonizing standards (collective response to ISSB)
- Generally, decide on most impactful public consultations to respond to

Using Unique Levers for Engagement, With Asset Manager

The NZAOA focuses on asset manager engagement for several reasons:

- There are existing collaborative corporate engagement initiatives on climate
- Corporate engagement faces limits in addressing systemic risks
- There is a unique gap for collaborative asset owner – asset manager engagement

The Future of Investor Engagement is a central publication from the NZAOA that outlines this underpinning vision.

The Engagement Track has a clear vision for how it aims to drive impact through asset manager engagement – a series of three asset manager best practices guidance documents have been developed and published in collaboration with asset owners, managers, and other key stakeholders.

In 2024, the Engagement Track published a call to action to the asset management industry. This encapsulated the essence of the Future of Investor Engagement and key principles outlined in the guidance documents.

Anecdotal evidence of influence and leadership through Engagement Track work:

- Public discourse: presentations and interviews, citations in shareholder resolutions, journalist articles
- Peer asset owners: inclusion in trade association best practices, reference in other asset owner-led best practices
- Asset management community: alignment of best practices amidst some asset managers, sharpening model of collaborative asset manager engagement, useful signal for asset managers receiving ESG pushback
- AOA membership: best practices ready-made for integration into SAM processes, asset manager communication and expectations, participation in Engagement Track

Key issue around engagement for the NZAOA: potential lack of credibility – both from lack of participation and lack of transparency/robustness around engagement target setting. Engagement is a mandatory lever and central to NZAOA Theory of Change, but it is not supported by any type of verifiable target setting or transparent reporting.

Proposed potential solution: Build in a link to net-zero engagement approach within Alliance member target setting and reporting. Members could include links to existing resources for members with existing reports that cover their engagement approach, i.e., this needn't be additional reporting – can be a link to a pre-existing disclosure, such as a stewardship report.

Key focus areas going forward for the Track will be:

1. Continuing to sharpen collaborative asset manager engagement
2. Building out our engagement model in private markets
3. Strengthening resources to help NZAOA members refine and develop their engagement approach, via our “engagement playbook” and workshops
4. Exploring opportunities to continue to influence and lead external asset manager evaluation and our AO long-term interests paper

Key questions for members to reflect on:

1. Asset Owners with Asset Managers: What do you need to get involved? To get direct contacts of asset managers at your org. involved?
2. Asset Owners Managing In-House: What unique value could NZAOA add to your engagement approach?
3. Addressing Credibility Gap Thoughtfully: How to address in practical and thoughtful way?
4. New Approaches with New Champions: What other approaches would you want to help champion within the engagement track?

Rosie and Eliya (Track co-Managers) planning to speak to all members to gather more input over December and January.

A Stable and High Ambition TSP that Allows Regional Implementation

Discussion prompt: Are members comfortable with implementing changes towards flexibility in the TSP, to what extent, how is this applied to EMs?

TSP Flexibility and Compliance

- Outlining and reminding members of the TSP, noting distinctions between binding “shall” requirements and recommended “should” guidelines.
- TSP outlines high level conditionality that can be applied by AOs, with key requirements, but there are some areas of flexibility to accommodate for differences amongst members
- The “comply or explain” approach was acknowledged as challenging, with discussions on the possibility of targets based on coverage of asset type on portfolio ($\pm 5\%$)
- Some sections of the TSP are very detailed and prescriptive whereas other sections are high level (due to member demand). Proposal: guidance supporting document with high level overview and then providing a detailed TSP document (almost Q&A form), for the people who want the detail / peer learning.

Carve out:

- There was debate about reducing the ambition in some TSP areas to allow for more tailored application, while still retaining the TSP's relevance and credibility.
- Developing specific strategies for high emitting assets
- Increased clarity on applying carve out options

'Comply or explain' discussion

- Members agree that the TSP is an ambitious framework for members to assess the extent to which they can implement parts of the TSP. 'Shall' requirements should be systematically discussed in the organisation.
- Members suggested wording is perhaps not optimal, but intention for the TSP is not for members to follow it word by word, rather to have solid reasoning on why one may not be able to 'comply'
- Understanding commonalities within 'explain' for members to reflect and become solutions based to figure out how to best help members
- From a public sector pension plan perspective (6million stakeholders), this framework is a major problem as it attracts lots of scrutiny from press and civil society
- One member questioned whether increasing flexibility poses credibility risk, a communication exercise is needed to understand what external stakeholders expect as an appropriate balance between flexibility and rigidity
- Some members find the 'shall' requirements in the TSP extremely useful to drive things forwards internally. E.g. AOA position on Oil and Gas is easy to follow and apply to an internal position

Publicity discussion

- Discussions around publicity within the TSP framework, how 'comply or explain' barriers can be overcome. Procedure should first be an Alliance discussion with follow ups to support members before bringing external public attention
- A member who 'explains' a lot in the TSP is increasing their credibility risk and skewing towards misalignment with the science-based targets AOA has
- A member mentioned introducing an external 'public comparison' approach as a public reporting function instead of AOA members 'judging' each other

- Members may lack government support and find themselves having to ‘explain’ there could be a way to reconcile between these. However, this engagement becomes difficult to carry out on an individual basis in the private sector.
- Is there a minimum compliance threshold mechanism to address scrutiny risks to validate being a member of AOA?

Differentiating Expectations and Private Market Focus

Transition Finance and Sector Engagement

Opening: Different initiatives have come up with varied frameworks for transition finance (and different coverage). SBTi, for example, is very strict on sectors. GFANZ has a mixed methodology.

The overlap with Alliance's TSP is all implicit for now. Sector targets, specifically, need to be rendered more attractive. A question could be whether sector and climate solutions targets could be combined.

Discussion:

- Most members spoke of the need for a distinction between financing companies in high emitting sectors and climate solutions investment. Some initiatives would even say there is “no overlap” between these.
- Target high-emitting sectors should still take into account differences in regions
- Metrics are also key. If focusing on high-emitting sectors, counting their emissions would miss the point, instead: governance, strategy and CAPEX.
- Segregating between asset classes would also be important—“transition assets vs transition finance” (companies also means real-estate, infrastructure, etc.)
- Some members expressed support for a narrower definition that focuses on products
- Mention of the CFA definition, which does talk of high-emitting sectors.
- Members mentioned using a variety (and/or combination of frameworks), Nzif, HLEG, etc. Many use in-house solutions.
- Questions that remain: what are credible transition plans? how to measure progress? How long does one agree to hold a company to have them in the transition finance bucket? Should NZAOA push for market acceptance of certain frameworks?

Member example: investing in coal companies with credible transition plans (third party assessment) and awards a medal system to motivate companies to change what they are doing. The focus should be on reducing demand and reliance on these high-emitting commodities. Unfortunately, the member reported that the same system was not applicable for cement or steel due to a lack of policy.

Further discussion:

- Support to turn the conversation back to risk and link the climate strategy back to engagement teams, to better transition risk of corporates and sectors
- If purpose of transition finance is solutions, then use of proceeds is very relevant;
- Note on the importance on ratcheting up stringency/ambition for transition finance
- Support expressed for a principle-guided approach [to the NZAOA transition finance definition]
- NZAOA should not develop a completely new framework, but should aspire to interoperability
- Framework should be flexible enough that different institutions could implement it (including asset managers)
- Some off-the-shelf data is there, such as clarity A, MSCI

Private Markets Initial Work Report-Out

Overview on cross-track work in private markets up to date was provided

- It was highlighted that private markets progress is still in its early stages
- AOA AUM breakdown per asset class was displayed, within MRV and Engagement track discussions, to see if there was overlap in private assets
- Members needed most help in funds rather than direct investment, more signatories have an over+5% allocation to funds in their portfolios
- Mapped existing frameworks and GPs available for reference

Key challenges:

- Blind pool funds – it is hard to know what's coming in on a company level
- Financial data availability and maturity/quality differences, this presents problems when trying to construct comparative data sets across asset classes. Some teams are even using AI to get through data messages. Difficult for estimation, benchmarking, and reporting data, where ESG questionnaires are also becoming redundant.
- Difficult to get specific private market teams engaged in the first place. Negotiations are difficult, and most GPs do not understand how 1.5 alignment would work in the context of their portfolios (12–15 year lifespans). Perhaps a working group could help to understand what teams need to do in this space.

- Transition in private markets may be limited as LPs/GPs do not necessarily have the sufficient pipeline (other than sustainable approach) to develop new products

Key takeaways:

- More information gathering exercises required such as PiP side event
- Improving credibility of plans with GPs, AOA can provide a platform to launch debate and discussions. GPs are willing to engage, alignment on metrics is needed on the AOA side and it is important to capitalise on existing GPs and EDCI/PMDR frameworks.
- AOA can facilitate AO/AM engagement to reduce need for ESG questionnaire
- Fund creation process, promoting decarbonisation into a key incentive of AMs is very important to be clear on these expectations
- Work streams: target setting guidance and collaborative engagement track

Climate Solutions - Exploring Innovative Approaches

Green bonds bomb from Udo:

- When you look at GBP website – you'll find climate transition handbook. 2/3 years old. Elaborates on issuing green bonds from companies on a credible transition plan tot 1.5. It tries to explain how you can issue a green bond that is issued at issuer level.
- Market of transition so-called bonds is non-existent.
- Japanese transition bond label goes much further (?)

Quick hand poll of members in the room

- Largest public
- Largest green bonds
- Which framework – mostly Green Bond Principles (some CBI, EU Green Bonds)

Issue for NZAOA: Our reporting template does not allow for this detailed information (as received in this quick poll) to be collected. We need this to better understand where the AOA has the biggest leverage in the market, as we should focus more there. If its Green Bonds, what can we do to increase the GB market overall?

What are the challenges are you encountering with the existing data?

- use GBP, regulation requires a lot of man hours. Could collaborate to help them enhance the framework. Acknowledging there is a premium of those bonds. Is there sufficient supply?
- Used to work for Cicero. Transition bonds: old discussion. Label was pushed for a long time. He thinks transition is within green (light shade). ENI and Repsol both had transition bonds. People didn't know what to make of it. Re reporting, this has always been a mess and will likely continue to be. Hope that AI (?) can help – aggregate and harmonize it. Problems within solutions definition: is there enough supply? May not be enough out there when existing ones mature. When they become too successful – the 'greenium' can become too big. Impact reporting data.
- huge incentive on green bonds. Really need the data. 90% discount (?)

Reporting framework is complex but it doesn't actually answer the question of where we're investing in climate solutions.

For who in the room is the climate solution reporting part a burden? Not many

Scientific review was conducted – they stressed the importance of this area.

Financing the transition: Anne (AXA)

- Important to finance corporates / assets to decarbonize.
- Many asset owners have a quantitative target publicly disclosed – but on the transition part...
- 'Solutions' are dark green
- Allianz: solution is based on technologies while transition finance is on corporate level.

- Danielle: example of mining copper for the transition (enabling asset)
- ??: frustrating with TSP / public reporting different from TSP. Desire to clearly delineate which is which.
- ??: Word transition is laden – don't want to use it anymore! Certified transition plans.
- Danielle: CSI pillar – there are two ‘*shall*’s. Report on CSI and Active contribution to the Track. We see many AOs increase their ambition. Could we consider that we have reporting OR track engagement?
- Church Commissioners: 3-5 years is probably quite quick.
- Rothesay: A big challenge is setting the right level, quantitative targets.
- Allianz: We should have a financing group (?)
- AXA: If the objective is to really press on the non-listed asset... (?)

@All if anyone has notes on this section, mine are non-sensical... would really appreciate any input!

Bringing the Work Forward

Report out from 6 topic discussions

1) Expanding policy engagement – position AOA as preferred partner in the regions for regulators and policy makers

Who: AOs in different countries are to lead policy engagements and collaborate with the Policy Track with cross section within Transition Finance and Engagement Tracks. Open question on how to address members’ exposure in regions where they operate but don’t have on the ground presence.

What:

- Meeting international targets and improving the wider architecture of public finance
- Current NDC implementation
- Interoperability of reporting frameworks: looking at AOA TSP and links with local/national legislative requirements (reviewing interoperability internally within MRV Track)

By When:

Proposed sequencing of:

- Looking at internal processes and links with external regulations (on disclosures in particular)
- Engaging on implementation of 2025-2030 NDCs
- Engaging with international targets/architecture through events e.g. Bonn session and COP30

Building of new policies, quick win in reviving discussions with CSRD. Strategy with capturing these elements until 2030, year on year review on NDCs and international targets.

Further comments

- Maintaining a global dimension to the policy strategy, whilst a potential decentralised approach can be explored, invoking AOA thinking.
- Thinking bottom-up country wise, exploring ad hoc opportunities regionally and still maintaining global themes (Paris Agreements, carbon pricing)
- A need for coordinating policy and comms, to drive messaging forward.

2) Pushing forward leadership on asset manager engagement covering private and listed

Who:

- Engagement Track to explore AM engagement mainly through funds
- MRV Track revising content within TSP
- AOs to AOs and LP/ GP driving engagements forward

What:

- Objective: moving private markets industry to align with net-zero standards as a whole, rather than a case to case / LP to GP basis
- First step: to truly understand the right asks and issues within this space
 - Establishing clarity on targets, understanding the data infrastructure and its gaps, life cycle of assets, value creation
- Proceed: set guardrails for common vision, connect with existing initiatives and frameworks
- End goal: creating tools and questionnaires for members, refreshing call to action papers for operationalisation

Further comments

- Strong crossover with Topic 5, the main difference being direct investments included in target setting beyond asset manager engagement through funds

- AXA raised private markets was not clear enough in TSP, need to manage stronger AO voices expectations and wants
- Data areas should be cleared in MRV track, while engagement items should stay in the Engagement track.

3) Further refinement of TSP to facilitate regional implementation and more focus on transition financing in the TSP

Who: Protocol working group within MRV Track, with membership wide communication

What: long term goal to have a solid approach in the TSP (paragraph, guidelines, reporting framework)

By when:

- Integrating this item in the MRV track workplan
- Including this in next TSP - 2026 Q1/Q2

Further comments

- TSP is the AOA's most downloaded product and most evolved at this stage
- Regionalisation of the TSP to be explored, while noting that regional comms is not possible, so AOA needs to explore other mechanisms to increase flexibility
- Transition finance will take a while to integrate in the TSP, need to consider how to enhance flexibility instead of constantly updating it
- Leveraging existing frameworks, such as PRI's sovereign engagement work, a quick win could involve Tom Arup to speak on all members calls, with a deep dive in Australia / sharing lessons learned from Canada
- Improving internal comms: including briefing documents with every product released
- FAQs and guidance to enhance education on how to apply the TSP

4) Initiating sectoral engagement with a clear link to "investible" NDCs and national sectorial pathways

Who: Policy Track and Transition Financing Track across different regions

What:

- Understanding the specific investment gap country by country as a research project, however, this is time and resource intensive

- Engagement component by leveraging other networks like bilats with policymakers (subregional networks in US), PRI US policy team, Ceres, especially CA100+ as a potential resource in corporate engagement space

By when:

- Not a high priority by members relative to other topics, unless we understand where to take this forward, need to be realistic about focusing efforts.

Further comments:

- Least popular topic with less participants by number
- Topic could be a missed opportunity on benchmarking for transition finance, uncovering sectoral responsibilities to NDCs could enable AOA to define a threshold on transition finance
- Potential for incorporating this topic within thought pieces on transition finance
- This topic will become critical, so a quick win involves tracking work in this space, AOA has a role to help investors identify a roadmap in sector engagement and NDCs

5) Expanding work on target setting and implementation for private markets (beyond asset manager engagement)

Who:

- Potential formation of working group in MRV Track – seeking volunteers to co-lead this working group
- AO to AO, LP to GP driving forward
- Harmonising with iCI, ILPA, and others beyond introductory conversations to connect frameworks and initiatives / PRI to play a role in linking AOA to other initiatives

What:

Long term objectives:

- Provide clarity on target setting within MRV on direct investments and funds
- Coordinate data collection

Short term objectives:

- Survey members to scope our focus and priorities, and integrate materiality
- Create a series of knowledge building webinars on existing frameworks for all members
- Understand and leverage on existing data infrastructure and initiatives

By when:

- Short term objectives: in the next 6-12 months
- Long term objectives: in the next 12-28 months

6) Expansion of work on transition finance and climate solutions to increase capital flows

Who:

- Transition Financing track, with climate solutions to be added into next work programme.
- Potential forming of a working group discussed, though it may not be necessary.
- Important links for the Policy track to be involved.

What:

- Long term objective (5 years): increasing capital flows to climate solutions and achieving real economy impact, eventually having KPIs on clean energy.
- Intermediate step: understanding key blockers investors are currently facing, plugging this into policy engagement and TSP work, developing common language

By when:

- Within 6 months: taking stock and mapping out available frameworks to leverage
- Within 12 months: establishing common language and clarity around definitions
- 2 years further refinement on climate solutions within TSP
- 5-year objective of increasing capital flows seen by the Alliance

Closing Remarks

- Initial reflections on the AGM: members appreciated an in-person meeting, getting to know different members and track members (especially what drives them), seeing where they can contribute in the future, and thinking through the 2030 strategy (to ensure that it is fit for purpose)
- Support for organizing the AGM bi-annually
- Next steps (how to keep the energy focused):
 - Global debrief call on the six main topics and on value proposition, to inform members not present.
 - Develop a paper (alike the concept note) that maps out the priorities for the next 5 years.

- Upcoming regulation, such as what the EFRAG working group might deliver on scope 3 targets could be important for the work plan (something to keep in the back of the mind)