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New Guidance Will Help Financial Institutions Measure Emissions from Lending and Investment Portfolios

Geneva / Washington D.C., 29 October 2013 – Many financial institutions measure and report their own greenhouse gas emissions, but the real impact is in their value chains. In 2013, only six percent of financial companies in the FTSE Global 500 reported any emissions associated with lending and investment portfolios to CDP. To address this gap, the **Greenhouse Gas Protocol** (GHG Protocol) and the **United Nations Environment Programme Finance Initiative** (UNEP FI) have begun developing guidance to help financial intermediaries assess the emissions from their lending and investments portfolios.

"As the world transitions to a low-carbon economy, the financial sector will need to better understand its exposure to GHG emissions," said **Cynthia Cummis**, Deputy Director of GHG Protocol at the World Resources Institute. "Currently, most banks only measure emissions from their own operations, which are much smaller than those associated with their lending and investing activities. Financial institutions need a standardized, credible method to measure, understand and report the full breadth of their impacts."

In October, UNEP FI and WRI hosted the first Advisory Committee meeting on Greenhouse Gas Protocol Financial Sector Guidance to begin the guidance development process. The guidance will be a supplement to GHG Protocol's Corporate Value Chain (Scope 3) Standard.

Even though the direct GHG emissions of financial intermediaries are relatively small, the sector has an important role to play in the shift to a low-carbon economy by acting as market makers, capital providers and advisers. Over the past 10 years, more than a dozen GHG assessment methodologies have been developed by financial institutions and advocacy groups. However, the level of reporting remains low. One reason is the lack of an internationally harmonized accounting method tailored to the needs and characteristics of financial intermediaries. Practitioners have also identified a set of technical challenges and barriers that have kept the sector from systematically accounting for and reporting on emissions from their lending and investment activities, which this guidance will also seek to address.

"There is a clear, long-term interest from various stakeholders in assessing the emissions associated with lending and investment portfolios," said **Kaj Jensen**, Bank of America Executive Director, Global Environmental Policy. "Bank of America annually reports on the emissions attributed to its most carbon-intense business portfolio. However, the dynamics are complex and no standardized assessment tool currently

exists. Introducing this credible, internationally harmonized approach is a crucial step in getting the industry and our stakeholders what they need."

The launch of this initiative follows an extensive, eight-month scoping exercise that reaffirmed the need for this guidance. The *GHG Protocol Financial Sector Guidance* will be developed over the next two years through an inclusive, multi-stakeholder process. In addition to leadership from UNEP FI and GHG Protocol, the Advisory Committee includes representatives from 2° Investing Initiative, Allianz Group, Asset Owners Disclosure Project, Banamex, Bank of America, Carbon Tracker Initiative, CDP, EY, Investors Group on Climate Change, HSBC, International Finance Corporation (IFC), Local Government Super, London School of Business and Finance, Pax World, Prudential Investment Management, PwC, Wells Fargo, RBS, State Street, WWF US, UniCredit, and YES Bank. Citi has also made an early commitment to Chair a Technical Working Group.

"While goods and services of all types are increasingly subject to standards and regulation requiring appropriate client information and transparency on environmental and social issues, there is often limited or no information on the sustainability impacts of financial products and services," said **Yuki Yasui**, Acting Head of UNEP Finance Initiative. "Without such information, responsible financial institutions receive no benefit, and differentiation between sustainable and non-sustainable financial products and services by end users remains difficult. This project is a critical step in addressing this shortcoming."

The Advisory Committee, GHG Protocol and UNEP FI have now finalized the governance structure and key technical issues to be covered in the guidance. The Advisory Committee has also recommended that the business case for using the guidance, beyond providing transparency for stakeholders, should be further developed. The next step, to be completed by the end of 2013, is to recruit experts to join the Technical Working Groups and begin the process of drafting the guidance.

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Notes to editors

For more information on this project, go to http://www.ghgprotocol.org/feature/financial-sector-guidance-corporate-value-chain-scope-3-accounting-and-reporting.

About the Greenhouse Gas Protocol

A global collaboration led by WBCSD and WRI, the Greenhouse Gas Protocol (GHG Protocol) provides the foundation for sustainable climate strategies and more efficient, resilient and profitable organizations. GHG Protocol standards are the most widely used accounting tools to measure, manage and report on greenhouse gas emissions. www.ghgprotocol.org

About UNEP Finance Initiative

Founded in 1992 in the context of the Earth Summit in Rio, the United Nations Environment Programme Finance Initiative (UNEP FI) is a platform that associates the United Nations and the financial sector globally. With over 200 members representing Banks, Insurers, and Investors from around the world, UNEP FI contributes the perspectives of financial institutions to the various United Nations and global activities on sustainable finance. UNEP FI's mission is to bring about systemic change in finance to support a sustainable world, which is highlighted in its motto, 'Changing finance, financing change'. www.unepfi.org