UN environment programme

finance initiative

Industry-led, UN-convened

Net-Zero Banking Alliance

Frequently Asked Questions

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Signing up to the Commitment

What are the steps involved to join the Alliance?

In order to join the Alliance, you need to:

- Ask your CEO to sign the Commitment
- The Commitment Statement is underpinned by the Guidelines for Climate Target Setting for Banks.
- Please send the signed Commitment Statement to Sarah Kemmitt (sarah.kemmitt@un.org) and Alice Anders (alice.anders@un.org).

Upon joining, you will be invited to join working groups and other discussion forums within the NZBA.

What are the fees for joining?

By signing and submitting the NZBA Commitment Statement, the bank members agree to pay a fee via the Alliance Secretariat on an annual basis to ensure that the necessary programs and work tracks can be undertaken.

Banks which are members of UNEP FI will not need to pay any additional fee to be a signatory to the NZBA. Banks which are not members of UNEP FI will pay a proportion, approximately half, of the UNEP FI membership fee. Contact alice.anders@un.org for more information.

The fee is proportional to the size of the bank, in tiered bands.

Where do I sign up?

The Commitment Statement and the Guidelines for Climate Target Setting, which underpin the Commitment, can be downloaded on the UNEP-FI Net-zero Banking Alliance page here: unepfi.org/net-zero-banking/commitment/

Governance

What is the governance structure of the NZBA?

The Alliance is governed by a 12 (member seats) plus 1 (UN seat) Steering Group and Chair to oversee decision-making and strategy. The Steering Group is selected by member banks and represents a diversity of geography and business models.

The Steering Group seats are held by member banks and the committee sits at two levels. At the 'Principal' level, C-suite delegates provide strategic input and ensure that the strategy is embedded at the heart of organisations. The 'Representative' level meet more frequently, with working-level delegates tackling the on-the-ground practicalities of delivering on the commitment. The Alliance is supported and convened by the UNEP FI Secretariat, and the United Nations also holds a seat on the Steering Group.

Who is in the Steering Group of the NZBA?

The current Steering Group was appointed in July 2021 and works with the NZBA Chair (Standard Chartered) to leverage the diversity of the membership, build consensus and ensure best-practice is able to be adopted worldwide. The current members are: Amalgamated Bank, Bank of America, Banorte, BBVA, CIB, Citi, HSBC, KB Financial Group Inc., La Banque Postale, Morgan Stanley, MUFG, Standard Chartered and the United Nations.

How often is the governance of the NZBA reviewed?

The Steering Group members will serve for a period of two years starting on 22 July 2021. (The exception to this is that half of the inaugural Steering Group will hold three-year terms to achieve staged change of Steering Group members).

What is the role of the UN Secretariat?

The Alliance is a bank-led alliance. The UN Secretariat provides the day-to-day administrative oversight to the Alliance and has a permanent seat on the Steering Group (SG).

More specifically, the Secretariat will:

- ensure that the Alliance meets objectives in-time and in-budget, and that it does so following the general direction provided by the Alliance SG.
- to that effect, the Secretariat is empowered to make operational decisions as a matter of due course, while strategic decisions remain the responsibility of the SG;

- support the SG;
- convene and provide input on strategic direction of the Alliance;
- coordinate regular meetings;
- provide advice and guidance on technical and structural matters facing the Alliance;
- at the direction of the NZBA leadership, prepare and conduct regular virtual calls of the working group(s) that address technical and structural matters;
- manage a secretarial budget;
- support Alliance communication;
- manage strategic outreach to potential allies and key partners, establishing linkages and regular communications with related initiatives;
- facilitate annual collection and review of the progress made and challenges faced by Members with regard to their commitment as set out in the Commitment Statement and Guidelines;
- at the direction of the SG, consult scientific and technical experts;
- facilitate the Alliance in achieving its objectives; and
- report to Race to Zero and the Glasgow Finance Alliance for Net Zero on collective progress, as required and agreed by the SG.

What happens if I want to leave the Alliance?

It is important that banks maintain their commitments made through the Alliance. Therefore, banks are encouraged to self-identify where they have not been able to meet the commitment and engage the Secretariat to support them in this endeavour.

Where it is no longer possible to meet the commitment, members are able to leave the Alliance by submitting an official request to the UN Secretariat.

What are the goals of the Alliance?

The Alliance aims to drive collective, aligned and credible progress toward achieving net-zero emissions by 2050 through two primary goals.

Firstly, it aims to provide a platform for a collective commitment to demonstrate leadership, external consistency and credibility, through:

- a common standard/interpretation of what it means to be aligned to a 1.5 degrees trajectory.
- accountability in demonstrating the fulfilment of the commitment.
- action in promoting banks to join the Alliance.

Secondly, it aims to provide a structured forum to support banks' transition to net zero by 2050 through:

- Facilitating capacity building within member banks by showcasing potential approaches for 'how to' implement the commitment.
- Guide peer learning and sharing experience to accelerate progress.
- Signposting resources, methodologies and leading practices around areas such as data.
- Identifying gaps and working with others to overcome them. This may include, but is not limited to: international organisations, peers, customers, investors, governments and other alliances.
- Connecting and consolidating, minimising fragmentation.
- Providing a voice for banks to communicate on the topic of transitioning to net zero by 2050 in line with a 1.5 degree outcome.

Members

Who are the members of the NZBA?

Banks are joining the Alliance regularly, so an up-to-date list of members can be found here: unepfi.org/net-zero-banking/members/

Who can join the NZBA?

Alliance membership is open to all banks, whether a member of UNEP FI or not. For signatories to the Principles for Responsible Banking (PRRB), NZBA is their climate commitment.

The Alliance is UN-convened and bank-led. Therefore, all bank members, alongside the UN conveners, have wide-ranging responsibilities to contribute to the Alliance, its governance, its strategy and the execution of its intended actions.

The Commitment

What are members committing to?

The details of the commitment are outlined in the two-page Commitment Statement and the Guidelines for Climate Target Setting for Banks, which underpin the Commitment.

Why are banks engaged in the emissions reduction efforts of their clients?

Reducing greenhouse gas emissions is a critical issue, which will require collective action across public and private sectors. Financial institutions have an important role to play, including in the measurement, disclosure and reduction of their Scope 3 emissions.

What makes the NZBA commitment so robust?

Some key points of rigour of the commitment include:

- The inclusion of a temperature outcome consistent with limiting global warming to 1.5°C from pre-industrial levels, in line with the most ambitious objective of the Paris Agreement.
- Near-term action and accountability through the requirement to set 2030 interim targets.
- Use of best available scientific knowledge including the findings of the IPCC based on no/low overshoot scenarios.
- Addressing both absolute emissions and emissions intensity in the annual reporting requirement.
- All-economy approach, covering the most carbon intensive & carbon-emitting sectors.
- Alliance banks have 18 months from signing to set their first targets in high-emissions-intensity areas.
- Grounded in the Race to Zero campaign, which included an independent review
- We invite you to read the guidelines and commitment statement for full details.

What is the scope of the NZBA commitment?

The commitment guidelines apply to the bank's lending and investment activities. (Scope 3, Category 15). Banks' targets shall include their clients' Scope 1, Scope 2 and Scope 3 emissions, where significant, and where data allows; coverage is expected to increase between each review period.

Banks' own Scope 1, Scope 2 and non-category 15 Scope 3 (e.g. from business travel) emissions are not addressed in the NZBA's Target Setting Guidelines; it is taken as given that banks shall target net-zero emissions in their own operations well before 2050.

Banks should be clear about which parts of the balance sheet the targets encompass. Where entities within the group structure carry out other types of business such as insurance, pensions funds, or asset management, it may be appropriate for those entities to follow alternative frameworks

Is there a minimum coverage of activities or emissions which must be included?

The scope and boundary of the targets should account for a significant majority of the bank's portfolio emissions where data and methodologies allow. Banks should explain significant exclusions.

Sector-level targets shall be set for all, or a substantial majority of, the carbon-intensive sectors, where data and methodologies allow. These sectors include: agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport. Signatories should prioritise sectors based on GHG emissions, GHG intensities and/or financial exposure in their portfolio in their first round of target setting (within 18 months of signing).

Notwithstanding methodological limitations, the remaining carbon-intensive sectors from this list shall be included in subsequent rounds of target setting (within 36 months of signing). Within the agriculture and transport sectors, banks may prioritise sub-sectors based on GHG emissions and financial exposure and/or data and methodology availability. Banks shall justify their approach.

Shall off-balance sheet emissions be included in my targets?

At present, the targets refer to on-balance sheet investment and lending activities. However, on-balance sheet securities held for client facilitation and market-making purposes (as opposed to held for investment) are excluded. Over time, banks should increase the volume of investment activities covered by the targets in line with methodological developments. For example, off-balance sheet activities, including facilitated capital markets activities, will be reviewed for inclusion in 2030 targets for the next revision of the Guidelines, which is planned by April 2024, once the required third-party methodologies have been finalised and adopted.

Banks shall justify the exclusion of relevant asset classes or business lines for materiality, methodological or other appropriate reasons.

Does the commitment mandate certain tools or methodologies?

No specific methodology is mandated in the Commitment's Guidelines to calculate values for targets or baseline data. However, banks should strive to use credible sources and explain the methodologies used. Where methodologies are not publicly available and there are data challenges, banks should explain the allocation approach used, data sources and their limitations, approaches to estimation, proxies used if data are not available and key assumptions.

Banks should provide an assessment of the data quality used in their calculations. If several data sources are available, data with the highest quality are expected to be used, unless justified.

Does the commitment mandate certain climate scenarios?

The scenarios used by banks shall come from credible and well-recognised sources and banks should provide rationale for the scenario(s) chosen.

The scenarios selected shall be "no-overshoot" or "low-overshoot" scenarios (e.g. pathways P1 and P2 of the IPCC).

The scenarios selected shall rely conservatively on negative emissions technologies.

See Guideline 3 of the Target Setting Guidelines for full information.

Must all coal-related activities be included in the targets?

Any client with more than 5% of their revenues coming directly from thermal coal mining, and electricity generation activities shall be included in the scope of targets.

How will banks approach their clients' performance on net-zero commitments?

NZBA's approach is meant to complement government-led climate strategies, but not assume responsibility for achieving outcomes dependent on factors outside of the signatory bank's reasonable control, nor directly regulate capital flows to any country, sector or industry. Of key importance in the interpretation and implementation of the NZBA agreement is the commitment to a just and orderly transition to net zero that will strengthen individuals, communities and economies, Members are committed to doing what is within their reasonable control to assist in this just transition, including disclosing client financed emissions, establishing sectoral targets, and employing good faith efforts in their implementation of this strategy.

How will Banks address the data and methodology challenges associated with their clients' GHG emissions data?

Setting reliable interim goals for financed emissions of clients' Scope 1, 2 and 3 emissions necessarily requires the availability of reasonably supported data and methodologies. Achievement of goals will be dependent on complex and interdependent decarbonization efforts across the economy. At the present time, more and better data is still needed, particularly with respect to Scope 3 emissions. As company- and activity- level emissions data improves and technology develops, members will enhance their Scope 3 targets to help fulfil their net-zero commitments in tandem with relevant national governments' regulations, public policies and mandates. Members plan to continue to work alongside government, industry and clients to develop and support clients' Scope 3 emission reduction targets in sectors for which relevant national governments are outlining sector specific transition strategies.

Does the commitment address absolute emissions or emissions intensity?

Targets shall be set based on:

- Absolute emissions; and/or
- Sector-specific emissions intensity (e.g. CO2e/ metric).

While a bank's targets may be supported by other approaches (e.g. production volume trajectories, technology mix) or measurements (e.g. financing targets), the targets shall nonetheless be set in absolute and/or intensity terms. Reporting must cover both absolute and intensity metrics to give a complete picture.

How quickly must I apply these guidelines and set targets upon signing up?

Signatories to the Net-Zero Banking Alliance will set targets that cover a significant majority of their financed emissions including at least one of the listed sectors within 18 months, and within a further 18 months, set targets for all or a substantial majority of the carbon-intensive sectors detailed in the Guidelines.

How often must I review the targets?

They shall be reviewed at a minimum every 5 years.

Targets shall be recalculated and revised as needed to reflect significant changes that might compromise the relevance and consistency of the existing targets, e.g. material portfolio changes, methodological developments.

Who needs to have approved my NZBA targets?

The highest executive level within your bank shall approve your targets.

Are member banks required to have board committees assigned responsibility for NZBA commitments and transition plans, or can this be responsibility of the full board?

This is at the bank's discretion. The highest executive level shall approve the targets and transition plan.

Must I publicly report progress?

Banks shall publicly disclose their targets and report annually on progress.

Within 12 months of setting the targets, banks shall publish, at a minimum, a high-level transition plan providing an overview of the categories of actions expected to be undertaken to meet the targets and an approximate timeline.

Must I comply with all elements of the NZBA Guidelines?

The Guidelines should be complied with and are to be applied on a comply-or-explain basis. This permits an explanation of how the bank has applied the Guidelines to its own business model and balance sheet, and design choices around methodologies and data.

Can signatories apply disclaimers when reporting progress to manage liability risk?

The Guidelines are comply or explain, so omissions are possible so long as justified.

Must I obtain verification or assurance on my targets' underlying data?

Banks are encouraged to obtain independent limited assurance over the reporting on performance against targets, including the establishment of a baseline, from their first progress report onwards.

Principles for Responsible Banking (PRB) signatories are required to have this limited assurance over their targets in place within four years of signing the Principles.

The Guidelines refer to targets being reviewed every 5 years; when and how must I set my targets?

Banks have to set a target every five years from the first target, which must be for 2030 or sooner.

As of the date of signing, only the 2030 and 2050 targets must be set. The other ones will be set before each previous target is reached (e.g. the 2035 target will be set before the 2030 one is reached, the 2040 before the 2035 one etc)

Can I use offsets to meet my bank's targets?

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.

Banks should conduct appropriate due diligence on client offset claims in line with other internal processes.

Can Banks use emissions abatement technologies in target-setting and reporting?

As member banks and their clients implement and report on their targets, all technologies that lead to the effective and permanent abatement of emissions at source can play a role. Technology deployment should also align with and support national climate plans of the countries in which banks operate, as appropriate.

Will the scope and ambition of the commitment change over time?

The target setting Guidelines will evolve in line with best practice, development of scientific knowledge and availability of methodology and tools following reasonable intervals in updates. The first revision is anticipated by April 2024.

Any suggested changes to the guidelines are to be approved at Plenary level by signatories with a two-thirds majority.

Relationship between NZBA and other Initiatives

What is relationship between the NZBA and the GFANZ?

The Alliance was launched on 21 April 2021 as the banking component of the Glasgow Finance Alliance for Net Zero (GFANZ).

GFANZ is a global coalition of leading financial institutions that are part of the UN's Race to Zero campaign that is committed to accelerate and mainstream the decarbonisation of the worldwide economy, and reach net zero by 2050.

It provides a practitioner-led forum for financial firms to support efforts by all companies and countries to achieve the goals of the 2015 Paris Agreement, collaborate on the steps needed to align with a net-zero future, and push for institutionalisation of the methodologies and tools necessary to reach our goal.

The finance subsector alliances in the UN Race to Zero and part of GFANZ are: the Net-Zero Banking Alliance (NZBA), the Net Zero Asset Managers Initiative (NZAM), the Net-Zero Asset Owner Alliance (NZAOA), the Paris Aligned Investment Initiative (PAII), the Net-Zero Insurance Alliance (NZIA), the Net Zero Financial Service Providers Alliance (NZFSPA), and the Net Zero Investment Consultants Initiative (NZICI).

We invite you to visit the GFANZ website to find out more information about GFANZ.

What is the relationship between the NZBA and the Principles for Responsible Banking?

While both are convened by UNEP FI, the PRB provides an overarching sustainable framework for banks worldwide, covering a wider variety of topics. The Net-Zero Banking Alliance is the mechanism by which members deliver the climate element of the Principles for Responsible Banking, enabling PRB banks to align their portfolios to the 1.5-degree target. Indeed, a significant portion of NZBA signatories are also signatories to the PRB, and we strongly encourage banks to join both frameworks. The Net-Zero Banking Alliance is also open to banks which are not PRB signatories.

What is the difference between the NZBA and the CCCA?

Both are convened by UNEP FI. The Collective Commitment to Climate Action (CCCA) was launched in September 2019, with pioneering banks accelerating action all Principles for Responsible Banking signatories have committed to take on climate. This commitment is consistent with a maximum temperature rise of well-below 2°C above pre-industrial levels by 2100—equivalent to net zero before 2065. The CCCA banks were instrumental in drafting the Guidelines for Climate Targets Setting for Banks, which underpin both the CCCA and the NZBA commitments. The Net-Zero Banking Alliance was launched in April 2021 and is part of the Race to Zero campaign in advance of COP 26. The NZBA ambition is consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100, equivalent to net zero by 2050. Due to the increasing global ambition in this space, we would encourage banks to join the Net-Zero Banking Alliance.

Does the NZBA recommend or endorse other initiatives of frameworks?

The NZBA is agnostic with regards to methodologies and tools.

It has a long list of minimal technical requirements which ensure the robustness of targets set by its signatories, but it does not require a specific methodology or use of any particular service provider.

What types of stakeholder relationship does NZBA formalise?

NZBA recognises collaborators and supporters and details these relationships on the website.

An organisation may wish to collaborate with NZBA, for example, to harmonise, develop and implement methodologies and mutually promote the work of both organisations. A document of common understanding would be developed to document the relationship. Collaborators may be proposed by the Secretariat or members and approved by the SG.

A supporter is an institution that carries out activities relevant to the banking industry but is not a for-profit company. A supporter has a mission which is aligned with net zero by 2050 or other low-carbon objectives and has confirmed in writing its support for the NZBA. A supporter is encouraged to carry out at least one activity each year that would support the adoption and implementation of the NZBA commitment. An organisation that would like to be recognised as a supporter should complete a simple form which will be approved by the SG.

United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 400 members—banks, insurers, and investors—and over 100 supporting institutions– to help create a financial sector that serves people and planet while delivering positive impacts. We aim to inspire, inform and enable financial institutions to improve people's quality of life without compromising that of future generations. By leveraging the UN's role, UNEP FI accelerates sustainable finance.

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unepfi.org

info@unepfi.org

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