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NZBA Intermediate Target Disclosure Checklist

June 2022

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Note that this is intended as a helpful checklist and is a summary of the [Guidelines for Climate Target Setting](#). Please refer to the Guidelines for further detail and guidance on how to formulate your intermediate climate targets.

This document mirrors the language in the Guidelines:

- **Shall** means that a process is mandatory, on a comply-or-explain basis.
- **Should** means that a process is optional, but strongly recommended.
- **May** means that a process is optional.

Items to be disclosed when making intermediate climate targets public in line with the Guidelines:

Emissions profile/ footprinting

- Emissions profile** banks **shall** establish an emissions baseline and annually measure and report the emissions profile of their lending portfolios and investment activities following relevant international and national GHG emissions reporting protocols and guidelines.
- Coverage** emissions profile **shall** cover a significant majority of a bank's Scope 3 emissions, including the set list of carbon-intensive sectors (see below).
- Carbon-intensive sectors** agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport
- Reporting of emissions** Annual reporting of emissions where targets have been set:
 - absolute emissions, and
 - portfolio-wide emissions intensity (e.g., CO₂e/\$ lent or invested), and
 - sector-specific emissions intensity (e.g., CO₂e/metric)
- Disclosure** **shall** disclose and provide the rationale regarding the:
 - scope and boundary of the asset classes and sectors included;
 - asset class and sector coverage of the emissions; and
 - measurement method(s) and metric(s) used at portfolio, asset class or sector level

Targets

- Long-term target** align the attributable GHG emissions from their lending (**shall**) and investment (**should**) portfolios to align with pathways to net zero by 2050 or sooner
- Intermediate target** targets **shall** include sector-specific and/or portfolio-wide targets for 2030 or sooner
- Target types** intermediate and long-term targets **shall** be set based on:
 - Absolute emissions; and/or
 - Sector-specific emissions intensity (e.g., CO₂e/ metric)
- Base year** the base year for the above targets shall be set to be no more than two full reporting years prior to the year when the target is set (unless exceptional economic circumstances)
- Scenarios** banks **shall** disclose which scenario their climate targets are based upon (scenario name, date, and provider). Scenarios:
 - **shall** limit global warming to 1.5°C by the end of the century
 - **shall** come from credible, well-recognised sources (e.g., IEA, IPCC, NGFS, etc.)
 - **shall** be no- or low-overshoot
 - **shall** rely conservatively on negative emissions technologies
 - **shall** have reasonable assumptions on carbon sequestration achieved through nature-based solutions and land use change
 - **shall**, where possible, minimise misalignment with other Sustainable Development Goals

Target coverage

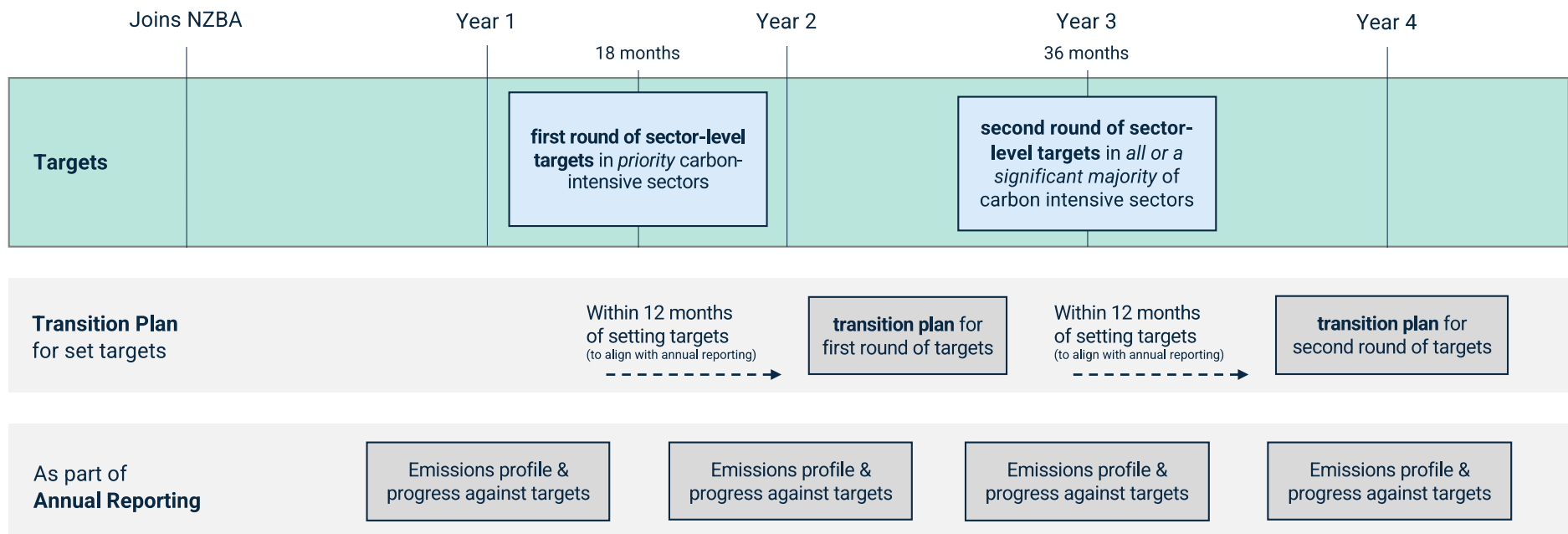
- Carbon-intensive sectors** agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport
- Sector selection** targets **shall** be set for all, or a substantial majority of, the carbon-intensive sectors listed above, where data and methodologies allow. Sub-sectoral targets may be set in the transport and agriculture sectors.
- Sector definition** banks should disclose the sector definition according to internationally recognised sector classification codes, such as the NACE, SIC, GICS or NAICS codes used for the targets for comparability across the banking sector.
- Emissions coverage of clients** targets
 - **shall** include banks' clients' Scope 1, Scope 2, and Scope 3 emissions, where significant and where data allow.
 - **shall** cover a significant majority of a bank's portfolio emissions where data and methodologies allow

The scope and boundary of the targets **should** account for a significant majority of the bank's portfolio emissions where data and methodologies allow. Scope coverage is expected to increase between each review period.
- Scope of financial activities** lending **shall** and on-balance sheet investment activities **should** be included. The scope is expected to increase over time (e.g. facilitated capital market activities). Banks should be clear about which parts of the balance sheet the targets encompass.
- Automatic inclusion** clients with >5% revenues from thermal coal mining and electricity generation activities **shall** be included in the scope of targets

Other considerations

- Governance** targets shall be approved by the highest executive level and reviewed by the highest-level governance body in the bank and should be part of broader organisation's strategic plans
- Revision of targets** targets shall be reviewed, and if necessary revised at least every five years to ensure consistency with the latest science
- Assurance** UNEP FI Principles for Responsible Banking (PRB)¹ signatory banks shall obtain third-party independent verification or assurance within four years of signing the Principles, while non-PRB banks are encouraged to obtain third-party independent verification or assurance.
- Offsets** In implementing and reaching targets for all scopes of emissions, offsets can play a role to supplement decarbonisation in line with climate science. Banks shall be diligent in applying evolving leading practice on the use of offsets. 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

¹ The PRB is the flagship sustainable banking framework worldwide, committing banks to align their activities with the UN Sustainable Development Goals and Paris Climate Agreement. The NZBA falls within implementation of a bank's overarching commitment to the PRB framework.



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unepfi.org

 unepfi.org

 info@unepfi.org

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