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# Guidelines for Climate Target Setting

Supporting notes

August 2022

The industry-led, UN-convened Net-Zero Banking Alliance brings together a global [group of banks](#) which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. Combining near-term action with accountability, this ambitious commitment sees [signatory banks](#) setting an intermediate target for 2030 or sooner, using robust, science-based guidelines.

The Alliance reinforces, accelerates and supports the implementation of decarbonisation strategies, providing an internationally coherent framework and guidelines in which to operate, supported by peer-learning from pioneering banks. It recognises the vital role of banks in supporting the global transition of the real economy to net-zero emissions.

The Alliance is convened by the [UN Environment Programme Finance Initiative](#), and is accredited by the [Race to Zero](#). In addition, the Alliance also executes coordinated advocacy and alignment as the banking element of the [Glasgow Financial Alliance for Net Zero](#) and the climate-focused element of the [Principles for Responsible Banking](#).

More information can be found on our website. Follow us on social media using the following platforms or send us an email if you any specific questions.



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**Note 1:** The Guidelines for Climate Target Setting were drafted both for members of the Net-Zero Banking Alliance (NZBA) and for non-members. As such, where this document references net-zero ambitions, it is done in the context of the NZBA commitment. This may not be applicable for all banks, such as Collective Commitment to Climate Action (CCCA) banks, which use the Guidelines for Target Setting and may have different levels of ambition.

**Note 2:** The Supporting Notes aim to provide clarifying answers to queries raised by NZBA member banks and do not constitute an amendment to the original Target Setting Guidelines or the NZBA Commitment which remain the overarching reference which NZBA banks abide by on a comply or explain basis.

# Targets

## Target types

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Targets shall be set based on:

- Absolute emissions; and/or
- Sector-specific emissions\* intensity (e.g. CO<sub>2</sub>e/ 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.

\* Sectors are defined according to internationally recognised sector classification codes, such as the NACE, SIC, GICS or NAICS codes.

\*\* These metrics should be physical metrics (e.g. kWh, m<sup>2</sup>, tonne of product), but may be financial metrics if the rationale for not using a physical metric is provided

## Query:

Provide clarifications regarding:

- a. Methodological approaches which currently satisfy NZBA emissions-based requirements and whether other types of methodologies (portfolio coverage, implied T°, financing, other types of transition scoring) are acceptable
- b. Use of English terminology "and/or"
- c. How to account for market and other fluctuations for financial metrics

## Answer:

### Types of targets

Banks shall use emissions-based targets (absolute or intensity) to meet their NZBA commitment. Additional targets (including committed or underwriting amounts, implied temperature rise, portfolio coverage, capacity evolutions, technological mix) are encouraged to complement the decision-making quality of banks and may be particularly relevant for certain sectors but these can only be additional targets to the principal emissions-based ones (absolute or intensity).

Banks have the following options for targets:

1. Absolute emissions targets (portfolio, or portfolio & sector, or sector).
2. Emissions intensity targets (sector).
3. Mix of absolute and emissions intensity targets, possibly with different approaches for different sectors (portfolio (absolute), or portfolio (absolute) & sector (absolute or intensity), or sector (absolute or intensity)).

### Types of intensity-metrics

As noted in the guidance, the denominators for intensity metrics should be physical metrics (e.g. CO<sub>2</sub>e/kWh, CO<sub>2</sub>e/m<sup>2</sup>, CO<sub>2</sub>e/tonne of product), but may be financial metrics if the rationale for not using a physical metric is provided.

When financial metrics are used, consistency should be maintained where possible by using the same currency and financial metric to attribute emissions across asset classes covered in a given target.

Where banks set intensity targets using financial units, banks should consider reviewing (and, if necessary, revising) the approach regularly to account for the impact of financial fluctuations (e.g. market price evolutions, inflation) on the achievement of the target.

### Exposure amount used to attribute emissions

Banks should disclose the methods used to attribute absolute emissions and/or emissions intensity to bank financing. This should include specific and clear reference to which exposure amounts are used (committed, outstanding, exposure at default, etc.).

At present, the NZBA does not mandate a specific attribution method, but disclosure of this information should be provided to provide transparency and improve comparability between institutions.

Banks shall set a 2050 target to support meeting the temperature goals of the Paris Agreement.

- Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date.
- Targets shall be set based on:
  - Absolute emissions; and/or
  - Sector-specific\* emissions intensity (e.g. CO<sub>2</sub>e/ metric).

\* Sectors are defined according to internationally recognised sector classification codes, such as the NACE, SIC, GICS or NAICS codes.

### Query:

Provide clarification regarding whether the types of 2030 and 2050 targets need to be the same.

### Answer:

Banks have a range of options to meet the NZBA Commitment, though both intermediate (2030 or sooner) and long-term (2050 or sooner) emissions targets are required. However, while encouraged for consistency purposes, the scope of the targets (i.e. portfolio-wide, or sector-level) does not have to be the same for both.

For instance, while a 2050 (or sooner) target is required for all banks, it is possible for banks to set an absolute 2050 (or sooner) target at a portfolio-level (i.e. an overall target for all emissions in one's portfolio) while setting 2030 (or sooner) sector-level intensity targets.

Similarly, if a bank sets a 2030 sector-level intensity target, it is not required to set a 2050 intensity target for the same sector, though it shall have set at a minimum a portfolio-wide absolute 2050 target which de facto encompasses the intermediate sector-level targets.

In practical terms, this means that the following minimum situations meet the guidelines' requirements, though the most common approaches observed to date are those highlighted in orange:

			2050			
			Sector		Portfolio	
			Intensity	Absolute	Intensity	Absolute
2030	Sector	Intensity	✓	✓		✓
		Absolute	✓	✓		✓
	Portfolio	Intensity				
		Absolute	✓	✓		✓

In addition, while it is not mandatory to simultaneously disclose the intermediate and long-term targets, banks should look to disclose both (whether at a portfolio or sector-level, and whether absolute or intensity-based) at the same time.

Notwithstanding this clarification, it is required that both intermediate and long-term targets be disclosed within 18 months for the sectors which a bank chooses to prioritise, and within 36 months for all, or a substantial majority, of NZBA sectors.

Further intermediate targets shall be set for every five years after the initial interim target is set. As each subsequent interim target year is approached, the next interim five-year target shall be set.

Targets shall be reviewed, and if necessary revised, at least every five years, to ensure consistency with the latest science.

### Query:

Clarify when targets should be reviewed and if necessary revised.

### Answer:

A review of a target does not imply that changes will be made to the target (which would be a 'revision'). Banks may review their targets and decide that their original targets are still appropriate and in alignment with current climate science, sectoral pathways, and the NZBA's target-setting guidelines.

It is expected, at a minimum, that this review occurs every five years, though banks may wish to do so more regularly.

Banks should set their next interim target at the latest by the time that the previous target's date is reached (e.g. the 2035 target should be set at the latest as the bank reaches its 2030 target).

### Example:

In this example, the bank chooses to follow a regular 5-year review cycle, though it may be that it has an irregular review cycle. The permutations are endless, so the example below sticks to a 'simpler' cycle for illustration.

In 2022 (T), a bank sets a 2030 target and a 2050 target. It will be expected that this bank will therefore review both interim and long-term target within "T+5". Assuming it opts to do so at the 5-year mark (2027 = T+5), it might then follow the following timetable (though banks are free to change the review (and if necessary, revision of targets) cycle throughout, so long as it takes place **at least** every 5 years:

- review (and if necessary, revise) its 2030 and 2050 targets by 2027 (T+5) and set its 2035 target as it approaches but before the 2030 target is reached
- review (and if necessary, revise) its 2035 and 2050 targets by 2032 (T+10) and set its 2040 target as it approaches but before the 2035 target is reached
- review (and if necessary, revise) its 2040 and 2050 targets by 2037 (T+15) and set its 2045 target as it approaches but before the 2040 target is reached
- review (and if necessary, revise) its 2045 and 2050 targets by 2042 (T+20)
- review (and if necessary, revise) its 2050 target by 2047 (T+25)



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 and should be disclosed. However, in cases of exceptional current economic circumstances and/or where there are data quality lags beyond the banks' own control, it is possible to go beyond two full reporting years if the base year would otherwise be atypical. In these circumstances, banks should explain and justify their approach.

### Query:

Provide additional clarification on implications of using "covid-19" years as baseline.

### Answer:

#### "How to deal with covid-19 in 2020"

Because of the impact of covid-19 on the 2020 baseline, a number of banks have enquired about using 2019 instead of 2020 as their baseline. This is acceptable for banks setting targets in 2022 and would therefore imply that, for example:

- Banks who had set targets in 2021: baseline can be from 2019 or 2020
- Banks who set targets in 2022: baseline can be from 2019 or 2020 or 2021
- Banks who set targets in 2023: baseline can be from 2021 or 2022 (and so forth for future years)

**Note:** in the case where financial years differ from calendar years, the same principles apply but may mean that a target published, for instance, in March 2023 (end of a fiscal year) is treated in the same manner as the second option above and uses 2019 data. e.g. for a company whose financial year goes from April to March, it may be possible, in March 2023, to use baseline data for the "April 2019-March 2020" fiscal year (and therefore "skip" the "April 2020-March 2021" and "April 2021-March 2022" year).

**Note:** sector-level targets set in different years do not need to have the same baseline year.

#### Reporting years between the baseline and the year the target is set

While banks are expected in all situations to publish annually their progress towards achieving targets (i.e., "target emissions profile") starting 12 months after targets are set, it is not expected for banks to publish target emissions profile for the years "in between" the year that the target is set and the target's baseline year.

For example:

- a bank setting a target in 2022 using a 2021 baseline is expected to disclose the target baseline in 2021, the target emissions profile in 2022 (the first year towards the achievement of the target), and target progress every year thereafter.

- a bank setting a target in 2022 using a 2020 baseline is expected to disclose the target baseline in 2020, the target emissions profile in 2022 (the first year towards the achievement of the target), and target progress every year thereafter but is not expected to disclose target emissions profile for 2021.
- a bank setting a target in 2022 using a 2019 baseline is expected to disclose the target baseline for 2019, target emissions profile in 2022 (the first year towards the achievement of the target), and target progress every year thereafter but is not expected to disclose the target emissions profile for 2020 and 2021.

# Scenarios

## Scenarios—list of scenarios

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

- IPCC scenarios and scenarios derived from IPCC-qualifying models that meet the criteria outlined below are strongly recommended.
- Scenarios such as the IEA scenarios (e.g. SDS or NZE2050 scenarios) or sector-specific scenarios (such as the shipping decarbonisation trajectories developed under the Poseidon Principles) may be used, if the individual scenarios are expected to be aligned with the temperature goals of the Paris Agreement.

### Query:

Provide additional clarity on usable or compliant scenarios as well as clarifications on approach to adopt for regional specificities.

### Answer:

For the sake of the Guidelines, “scenarios” refers to climate transition scenarios which describe specific emissions pathways for sectors.

Where committed to net zero, banks shall only select no or limited overshoot scenarios with a >50% probability of limiting global warming to 1.5°C by the end of the century.

There may be instances where selecting alternative regional sectoral scenarios is appropriate, such as when regional scenarios provide greater regional granularity of the sphere in which bank clients operate, though this should only occur where regional scenarios are demonstrably equivalent to, or more ambitious than alternative available pathways derived from net-zero targets.

Current publicly available scenarios as of this writing (August 2022) which meet the objectives of the NZBA commitment include:

- [IEA’s Net Zero by 2050 \(NZE2050\)](#)
- [NGFS’ Net Zero scenarios](#)
- [University of Technology Sydney’s One Earth Climate Model](#)
- [PRI Inevitable Policy Response 1.5°C Required Policy Scenario](#)

The above list however is not exhaustive and doesn't include sector-specific or country-specific scenarios: if a scenario is published which meets the broader requirements of the Target Setting Guidelines and the net-zero commitment made by the bank, then a bank may select it.

Other, for instance regional, scenarios which aren't typically referred to as "net-zero" scenarios may be used provided they meet or exceed the level of ambition required for 1.5°C.

It is also noted that scenarios quickly become outdated, and banks should therefore look to use recent scenarios where possible.

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

### Query:

Provide clarification on the meaning of types of scenarios.

### Answer:

In selecting “no-overshoot” or “low-overshoot” scenarios, banks shall use scenarios applying ambition levels analogous to P1 or P2 scenarios of the IPCC, and not P3 or P4.

A **P1 scenario** is a scenario in which social, business and technological innovations result in lower energy demand up to 2050 while living standards rise, especially in the global South. A downsized energy system enables rapid decarbonization of energy supply. Afforestation is the only CDR option considered; neither fossil fuels with CCS nor BECCS are used.<sup>1</sup> A **P2 scenario** is a scenario with a broad focus on sustainability including energy intensity, human development, economic convergence and international cooperation, as well as shifts towards sustainable and healthy consumption patterns, low-carbon technology innovation, and well managed land systems with limited societal acceptability for BECCS.

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<sup>1</sup> [https://www.ipcc.ch/site/assets/uploads/sites/2/2019/09/SR15\\_Slide\\_Deck.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/09/SR15_Slide_Deck.pdf)

The scenarios selected shall rely conservatively on negative emissions technologies.

### Query:

Provide clarification on the meaning of “rely conservatively on negative emissions technologies”.

### Answer:

In selecting scenarios that “rely conservatively on negative emissions technologies”, banks shall use scenarios applying the ambition levels that are analogous to the P1 or P2 scenarios of the IPCC.

# Scope 3 emissions

## Approach to client Scope 3

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Banks' targets shall include their clients' Scope 1, Scope 2 and Scope 3 emissions, where significant\* and where data allow. Scope coverage is expected to increase between each review period.\*\*

Targets shall cover lending activities and should cover investment activities as explained below. Banks should be clear about which parts of the balance sheet the targets encompass.\*\*\*

\* The approach to significance shall be explained and may refer to a recognised methodology.

\*\* Where data allows, Scope 3 emissions for the oil, gas, and mining sectors will be included from 2021 onward. From 2024 additional sectors will be added (at least transportation, construction, buildings, materials, and industrial activities, as data and guidance permit). From 2026, Scope 3 emissions should be included for all sectors where targets are set, where significant and where data allows.

\*\*\* 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.

## Query:

Provide list of sectors for which specific categories of Scope 3 is material (Note: sector-specific clarifications will be developed by the NZBA Sector Worktrack).

Provide guidance on how to report multiple counting of Scope 3 across sectors.

## Answer:

Scope 3 emissions are relevant for virtually all NZBA priority sectors.

## Inclusion in targets

The NZBA Target Setting Guidance is built around a sectoral approach to target setting and requires that Scope 3 emissions that are "significant" to a given sector be included in targets (subject to data and methodological limitations).

Additional sector-specific guidance is being provided by the NZBA Sector Work Track which shall inform banks' target-setting.

Where such guidance is incomplete or ambiguous, Scope 3 emissions shall be included where they meet a “significant” threshold. NZBA does not mandate a quantitative threshold for significance. Banks should explain their approach to determining “significance”.

### **Multiple counting**

Multiple counting of emissions across sectors and across each sector’s value chain is a natural product of Scope 1/2/3 GHG accounting. For the purpose of target-setting, it is expected that some emissions will be counted multiple times.

Within a sector, banks may apply methods to account for multiple-counting. Banks shall transparently explain any approaches to account for multiple counting within a sector.

For all targets, to improve comparability between banks, banks should highlight the parts of the value chain which are included in any target metric emissions calculations as well as any calculation rules which have eventually been applied to address multiple-counting issues.



# Scope of financial activities

## Scope of financial activities

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Targets shall cover lending activities and should cover investment activities as explained below. Banks should be clear about which parts of the balance sheet the targets encompass.\*

At present this refers 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 considered in the next version of the Guidelines.

\* 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.

### Query:

Provide additional guidance of financial activities **in scope** for targets as well as what is **out of scope**.

### Answer:

As noted in the Guidelines, banks shall include their lending activities and should include on-balance sheet investment activities in their interim and long-term targets and emissions baselining. The scope of targets should increase over time, as methodologies develop.

Data and methodologies currently only exist for a subset of lending, investment, and other banking activities. This is a known limitation that will constrain the scope of initial member emissions profiling and target-setting.

Members shall consider the dynamism of methodology and data developments as they undertake their emissions profiling and target setting in line with the guidelines' expectations that scope and coverage will increase over time.

The below lists examples of activities that some NZBA members are currently assessing for inclusion into targets:

- **Lending activities:**

- Residential mortgages
- Consumer loans and personal lines of credit
- Corporate loans and advances (including term loans and revolving credit facilities, including to SMEs)
- Trade finance (including short term loans)
- Credit and financial guarantees granted
- Loans and advances to sovereigns or public entities
- Asset-backed financing (including commercial real estate, aviation, shipping, etc.)
- Project financing
- Acquisition financing
- Loans and advances to financial sponsors

- **On-balance sheet investment activities:**

- Sovereign/government/agency bonds
- Corporate bonds
- Project bonds
- Listed equity instruments
- Private equity and debt instruments
- Securitized fixed income instruments (ABS, MBS, covered bonds, etc.)
- On-balance sheet loans and advances held for securitization purposes

The NZBA has committed to include facilitated capital markets activities in a future revision of the Target-Setting Guidelines when methodologies allow.

While methodologies do not currently exist, banks are not expected to set targets for the following activities:

- Cash, cash balances at central banks and other demand deposits
- Financial assets held for trading (trading book)
- Derivatives (hedge accounting)
- Advisory services (including M&A)
- Equity capital markets (structuring or advisory services on equity instruments)
- Debt capital markets (structuring or advisory services on debt securities)
- Brokerage activities

Banks are nevertheless encouraged to include facilitated capital markets activities in their targets.

# Sector selection

## Priority sectors

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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.

### Query:

Provide additional general guidance on how to define scope within sectors (e.g. which parts of value chain, sector codes etc) and how this impacts calculations of coverage.

### Answer:

Banks shall set sectoral targets with reference to each sector's value chain. The NZBA is developing sector-level guidance which will provide further detail on recommended data sources, recommended parts of the value chains to include, good practices and methodologies to use.

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.

### Query:

Define "significant majority" of emissions and "substantial majority" of sectors.

Provide clarification on the approach to take where exposures to carbon-intensive sectors are very small (e.g. <1% of portfolio).

### Answer:

Banks may choose not to set targets for sectors where data and methodologies do not allow or where sectors are not material. When banks do set targets, they shall include attributable Scope 1, 2 and 3 emissions where significant with explanation including but not limited to citation of recognized methodologies.

Cumulatively, the emissions included in bank targets shall represent a **significant majority** of bank attributable emissions across all sectors. It is expected that bank target coverage will increase over time.

Banks shall disclose their approach for determining the materiality of asset classes and/or sectors, including any thresholds. In general, the bank shall prioritize CO<sub>2</sub>e emissions (absolute, intensity) over financial exposures where data exists.

It is expected that targets are set for initial NZBA sectors considered priorities based on GHG emissions, GHG intensities and/or financial exposures within 18 months with a **substantial majority** of all other NZBA sectors covered within 36 months.

Sectors are defined according to internationally recognised sector classification codes, such as the NACE, SIC, GICS, or NAICS codes.

### Query:

Provide additional guidance on approach banks may take in using sector classification codes.

### Answer:

Banks shall disclose the detail of which sectors and sub-sectors are included in their emissions profile and targets.

Sectors are defined through using internationally recognised sector classification codes, including NACE, SIC, GICS, NAICS, ANZSIC.

## Automatic Inclusion of Companies

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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.\*\*

\* Metallurgical coal is considered within the value chain of the iron and steel sector.

\*\* Project finance to a mixed-generation utility for a specific renewables project would not require reporting on Scope 3 emissions of the corporate as a whole.

### Query:

Provide references to external frameworks to define what is to be included in “coal”.

### Answer:

Subject to their own review of accuracy of relevant classification systems to their clients and due diligence and consistent with the 5% thermal coal revenue threshold requirement, NZBA banks shall include in the scope of their interim and long-term targets all clients operating in NACE codes B.05 and D.35.1.1, NAICS codes 2121 and 22111, SIC codes 1220, 1221 and 4900 to 4991, or GIC codes 10102050 and 551010, 551020, 5510530 and 551050.

To meet the 5% revenue threshold NZBA banks are expected to also include in their targets diversified companies which are classified outside of these sector codes but have thermal coal mining or electricity generation activities. The NZBA does not prescribe specific methods to identify coal revenue thresholds at this time.

# Reporting

## Reporting of emissions profile

Banks shall establish an emissions baseline and annually measure and report the emissions profile of their lending portfolios and investment activities.

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At present this refers 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 considered in the next version of the Guidelines.

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In doing so, banks shall:

- Annually measure and report current emissions (absolute emissions and emissions intensity) following relevant international and national GHG emissions reporting protocols and guidelines.

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The financed emissions profile of the bank's portfolio shall be calculated and disclosed annually. This shall include, where targets have been set:

- Absolute emissions; and
- Portfolio-wide emissions intensity (e.g. CO<sub>2</sub>e/US\$ lent or invested); and
- Sector-specific emissions intensity (e.g. CO<sub>2</sub>e/metric\*).

\* These metrics should be physical metrics (e.g. kWh, m<sup>2</sup>, tonne of product), but may be financial metrics if the rationale for not using a physical metric is provided.

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## Query:

Clarify the timeline for disclosure of emissions profile and targets (and whether they must be done together, can or should be sequential).

## Answer:

### Types of emissions profiles

Banks shall disclose on an annual basis all three of the emissions profiles listed in the Guidelines:

- **Absolute emissions:** this is either the attributable absolute emissions for, at a minimum, sectors where targets have been set, or a breakout of the absolute emissions of the full portfolio by sector. If they choose, banks may also publish both aggregated emissions profiles of the full portfolio and emissions profiles broken out by sector. It is expected that these metrics will be reported by financing activity (i.e. with separate metrics for lending and on-balance sheet investment).

It is noted that banks' targets are required to cover a significant majority of their financed emissions: this requirement de facto extends to the reporting requirement. In practical terms, targets will only cover a significant majority of most banks' total financed emissions once those targets have been fully set which, in many instances, will be from the 36-month mark. This means that:

- **Before the 36-month mark,** targets may not yet cover a significant majority of emissions so the specified 3 metrics as provided in banks' published emissions profiles may cover less than a significant majority of emissions.

**From the 36-month mark onwards,** both banks' published emissions profiles as well as banks' targets shall cover a significant majority of banks' total financed emissions. This means that, at that point, the 3 specified metrics as provided in banks' published emissions profiles, shall also cover a significant majority of banks' total financed emissions, as covered by targets.

- The scope of the absolute emissions disclosed should be consistent with the way the target has been set and cover a significant majority of emissions (i.e., same coverage of value chain). Client Scope 3 emissions shall be included in sectors where they meet a significance threshold in line with NZBA sector-specific guidance where it exists. If a bank chooses to aggregate and report emissions across sectors, multiple counting is likely to occur.
- **Portfolio-wide emissions intensity:** this represents the attributable absolute emissions of the full portfolio (as defined above) divided by the corresponding portfolio's total exposure amount. It is expected that these metrics will be reported by sector for specific financing activities (i.e. with separate metrics for lending and, as included, on-balance sheet investment).
- **Sector-specific emissions intensity:** this represents, where targets have been set, the attributable emissions intensity for a sector (as defined above) expressed with reference to a sectoral metric. NZBA Sector Work Track will recommend good practice and useful metrics to use for high-emitting sectors prioritized under NZBA.
- These metrics should be physical metrics (e.g. tCO<sub>2</sub>e/kWh, tCO<sub>2</sub>e/m<sup>2</sup>, tCO<sub>2</sub>e/tonne of product), but may be financial metrics if the rationale for not using a physical metric is provided.
- The Alliance does not mandate a specific methodology for the development of these metrics and recognizes that attribution approaches may vary between metrics.



## Location of reporting of emissions profile

Banks shall publish this information in the reporting format which is most appropriate to jurisdictional requirements and/or other ongoing reporting practices, so long as the information is published publicly and, at a minimum, on an annual basis.

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).

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.

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).

### Query:

Provide further clarification of expectations for first set of targets to be published. (e.g. thresholds for inclusion; approach to take if no data/methodologies exist; whether interim and long-term targets must be disclosed at the same time).

### Answer:

No quantified sector-specific thresholds for inclusion are set by the NZBA in order to reflect different business models and the wide variety of exposures.

Banks shall select the sectors which are most relevant to their business exposures and their carbon emissions for their interim targets and shall set targets within 36 months, assuming data and methodologies are available, where they have material exposures and publish associated transition plans within 12 months.

In addition, where banks do not comply with the guidelines' requirements, banks shall explain areas of non-compliance in public annual disclosures (i.e. not just through private correspondence with the NZBA).

UNEP FI Principles for Responsible Banking (PRB) 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.

### Query:

Provide additional information on PRB approach.

### Answer:

UNEP FI Principles for Responsible Banking (PRB) signatory banks shall obtain third-party independent verification or assurance within four years of signing the PRB on progress made against PRB targets, including where relevant on NZBA metrics and targets, while non-PRB banks are encouraged to obtain third-party independent verification or assurance.

All banks shall clearly state in their annual public disclosure whether NZBA metrics and targets have been verified and assured by an independent third-party.

Banks (whether PRB members or not) who wish to find out more about the PRB's approach to assurance can consult their guidance [here](#).

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United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. UNEP FI works with more than 450 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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