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net-zero banking alliance

Net-Zero Banking Alliance

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About the Net-Zero Banking Alliance

The industry-led, UN-convened Net-Zero Banking Alliance brings together a global group of banks, currently representing over 40% of global banking assets, which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050 in line with limiting global warming to 1.5°C.

Combining near-term action with accountability, this ambitious commitment sees signatory banks setting intermediate targets for 2030 or sooner using robust, science-based guidelines.

NZBA is the flagship climate initiative under the Principles for Responsible Banking to accelerate science-based climate target setting and develop common practice. As the banking alliance within the global efforts on net zero across the finance industry brought together under the Glasgow Finance Alliance for Net Zero (GFANZ), NZBA is open to all banks globally, including banks that are not UNEP FI members and Principles for Responsible Banking signatories.

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 a part of the Race to Zero. Learn more here.

About this progress update

The Net-Zero Banking Alliance provides an in-depth analysis of NZBA members' progress on target-setting and delivery against their targets every two years in the form of a progress report. The last progress report compiled by the Alliance was published in November 2022; the next such report will be published in Summer 2024 after NZBA's founding member banks are due to have set targets for all their highest emitting sectors.

NZBA has chosen to publish this 'progress update' on the actions taken by banks on climate target setting in the last year as a contribution to the wider Global Stocktake taking place this year for the 2023 United Nations climate change conference, COP 28. It does not include the in-depth analysis of a progress report but provides a stocktake of any new targets set by Alliance members and summarises relevant developments in climate-related voluntary frameworks and mandatory regulation.

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Foreword

Tracey McDermott

Chair, Steering Group of the Net-Zero Banking Alliance

Group Head of Conduct, Financial Crime and Compliance at Standard Chartered Bank

Climate scientists agree that the pathway to limiting global warming to 1.5°C by 2050 has narrowed in recent years.[1] Staying the course requires an accelerated global response and greater support for emerging markets to decarbonise their energy systems.

The Net-Zero Banking Alliance (NZBA) was founded to help banks to finance ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050. As the banking-specific arm of the Glasgow Financial Alliance for Net Zero (GFANZ), NZBA requires members to commit to set ambitious, science-based emissions targets and to report publicly on progress against them.

As of 30 September 2023, 96 members had set interim net-zero targets for 2030 or sooner. The setting of these targets, and the progress achieved against them, constitute the focus of our members' efforts, and are a significant achievement.

NZBA members continue to work with clients to support their transition journeys, including by financing new energy technologies and renewable power systems. The case studies in this report highlight the breadth of these investments, from electric vehicles and solar plants to green steel. NZBA is also working on a white paper on the data needed to scale up transition finance, complementing GFANZ's transition finance workstream.

NZBA member banks have been instrumental in the work led by GFANZ to create an enabling environment for the transition. Emerging markets require an annual investment of up to USD 2.8 trillion by the early 2030s to sustainably grow their economies,[2] and

1 iea.org/news/the-path-to-limiting-global-warming-to-1-5-c-has-narrowed-but-clean-energy-growth-is-keeping-it-open

2 iea.org/news/iea-ifc-joint-report-calls-for-ramping-up-clean-energy-investments-in-emerging-and-developing-economies

As of September, 96 members had set interim net-zero targets for 2030 or sooner. The setting of these targets, and the progress achieved against them, are a significant achievement

NZBA members are playing an important role in supporting the early phase work for the Indonesia and Vietnam Just Energy Transition Partnerships (JETPs), focusing on the policy, projects and financing solutions needed to mobilise private capital.

NZBA members are also active participants in GFANZ's partnership with the World Bank, the Private Sector Investment Lab, and its partnership with the African Development Bank, the Climate Action Partnership.

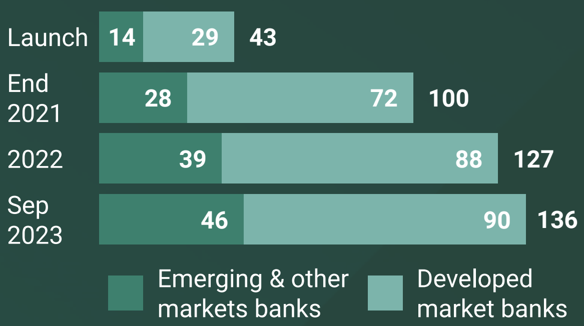
NZBA's continued growth demonstrates the banking sector's commitment to supporting the transition. Since its launch in April 2021, membership of the Alliance has more than tripled, with 20 new members joining in the twelve months to the end of September 2023 taking total membership to 136 member banks collectively representing over 40% of global banking assets.

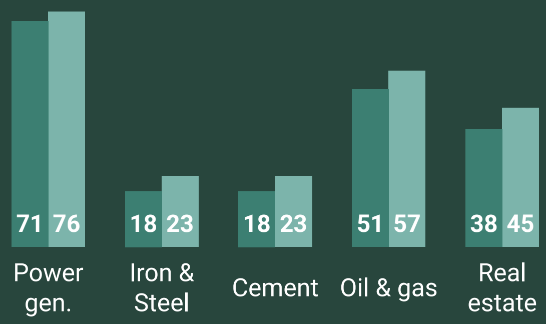
Diversity is a key feature of the Alliance, giving it firsthand insight into the transition challenges and opportunities in different regions. The global membership includes 71 banks from Europe, 28 banks from Asia Pacific, 17 banks from North America, 16 banks from Latin America, and four banks from the Middle East and Africa.

Although the pathway to 1.5°C has narrowed since NZBA's launch, the upshot is that "we know what we need to do—and how to do it," says IEA Executive Director Fatih Birol.[3] NZBA members will continue to play their supporting role, but future progress will equally depend on governments following through on their own policy commitments and corporates implementing their transition plans. All strands of the economy must accept the challenge of raising their ambitions and accelerating implementation if we are to reach net zero by 2050.

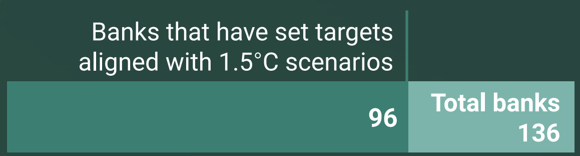
3 iea.org/news/the-path-to-limiting-global-warming-to-1-5-c-has-narrowed-but-clean-energy-growth-is-keeping-it-open

Membership growth and target setting progress



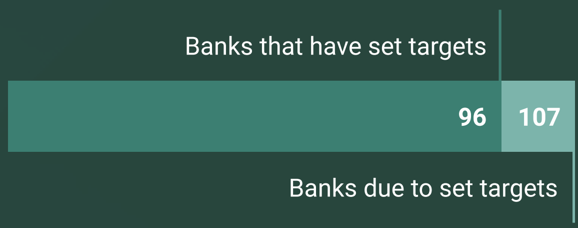


Banks' commitment to net zero continues to grow and to spread. NZBA membership has tripled in number since its launch and banks from emerging markets now make up over a third of its membership.



Over two thirds of NZBA banks have now set targets aligned with 1.5°C scenarios. This represents significant progress. In April 2021 when NZBA launched, no bank had set a science-based sectoral 2030 target using 1.5°C scenarios that included financed emissions.

Member banks continue to focus on the most carbon-intensive sectors. 76% of banks that had **set targets as of 30 September 2023** had done so for the power generation sector. The share of banks setting targets for iron and steel, and for cement grew from 18% to 23%, for oil and gas it rose from 51% to 57%, and went from 38% to 45% for real estate between September 2022 and September 2023.



Almost **nine in ten NZBA banks met their commitment to set their first round of targets** within 18-months of signing the commitment and others are on track to do so in the coming months.

The NZBA commitment

The central commitment of the Alliance itself is robust, ambitious and science-based. In addition to targeting net zero by 2050, the commitment specifies a temperature outcome consistent with limiting global warming to 1.5°C from pre-industrial levels, in line with the most ambitious range of the Paris Agreement goal. In joining the Alliance, signatory banks commit to:

- Transition the operational and attributable greenhouse gas (GHG) emissions from their lending and investment portfolios to align with pathways to net zero by 2050 or sooner.
- Within 18 months of joining, set a first round of targets for 2030 (or sooner) and a 2050 target, prioritising sectors based on GHG emissions, GHG intensities and/or financial exposure in their portfolio.
- Within 36-months of joining, set a further round of sector-level targets for all or a substantial majority of specified carbon-intensive sectors, including agriculture, aluminium, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation, and transport.
- Follow 2030 (or sooner) targets with further intermediate targets every five years from 2030 onwards. All targets will be regularly reviewed to ensure consistency with the latest science.
- Use the best available scientific knowledge to set targets that are in line with credible 1.5°C low/no overshoot scenarios—that is, climate trajectories that comply with the Intergovernmental Panel on Climate Change's definition of a 1.5°C pathway.
- Within a year of setting targets, develop a board-reviewed transition strategy with proposed actions and climate-related sectoral policies.
- Engage with their clients' own transition and decarbonisation to promote real economy transition rather than only portfolio decarbonisation.
- Annually publish their progress towards meeting targets by disclosing absolute emissions and emissions intensity in line with best practice.
- Take a robust approach to the role of offsets in transition plans.

Membership growth

NZBA membership has grown from 43 banks at its launch in April 2021 to 136 banks by the end of September 2023, more than tripling in number in just two and a half years.

The membership is also becoming more diverse. Around three quarters of the banks that had joined the Alliance by the end of 2021 were from developed markets. Now more than a third of member banks come from emerging and other markets. The 20 banks that joined in the twelve months to September 2023 were evenly split between developed markets and emerging and other markets. This increased diversity may be due to the spread of climate-related policy and regulation to further jurisdictions and markets (see the subsequent section on 'Developments in climate-related voluntary frameworks, policy, and regulation'), the growing profile of NZBA, and banks increasingly seeing the business case for achieving net zero emissions by 2050.

Europe remains the most heavily represented region in the Alliance's membership, both in terms of number of banks and total banking assets.

The total assets of NZBA banks amount to almost USD 75 trillion and currently represent over 40% of global banking assets.

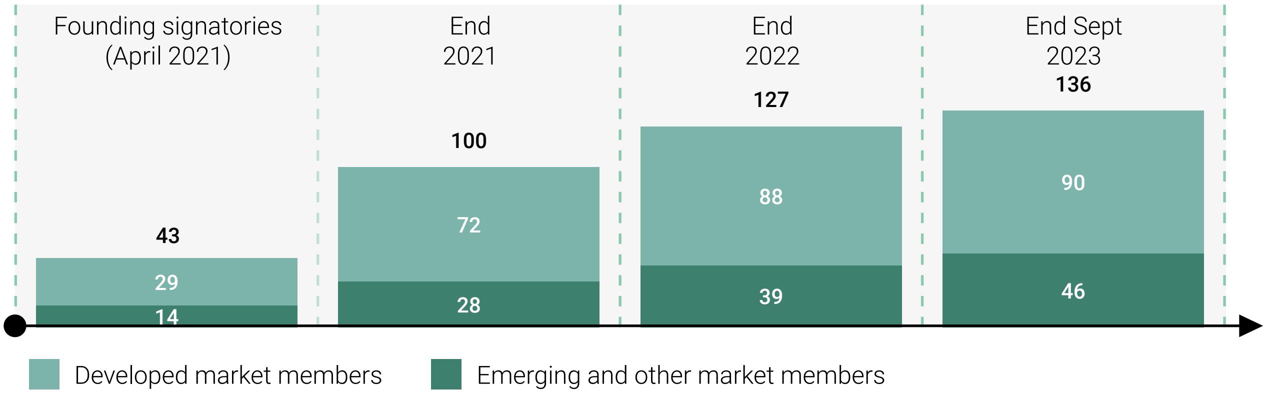


Figure 1: Growth in number of NZBA members from 2021–2023

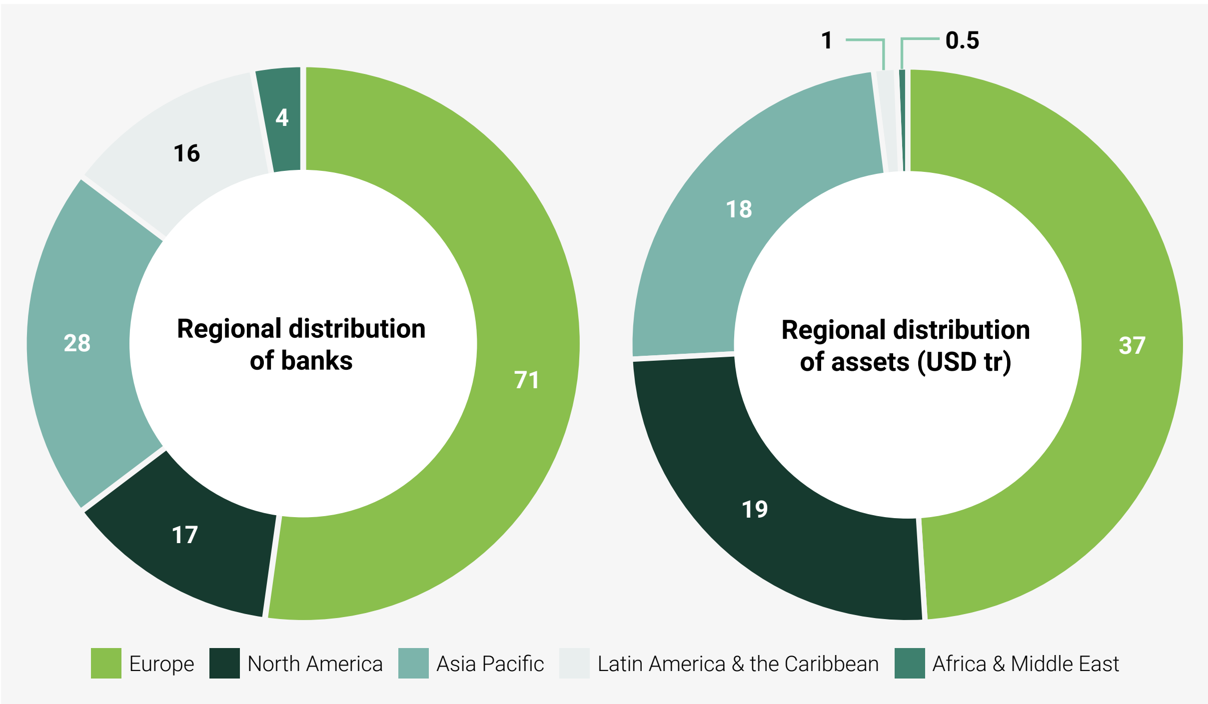


Figure 2: Distribution of NZBA members and their total assets by region

Progress on setting net-zero targets

NZBA members commit to setting targets within 18-months of joining the Alliance. As of 30 September 2023, 96 banks or 71% of the total 136 members had set such targets. Of the 107 banks that were due to have set their first round of targets by this date, 93 (87%) of them had done so. A further three banks had set their targets early, bringing the total to 96.

The banks that did not set targets on time could mostly be grouped in two categories: smaller developed market banks facing challenges in building the capacities needed to set targets, and emerging market banks facing a lack of quality data on which to base their targets. The deadlines for these banks to set targets has been extended according to the process laid out in NZBA's governance document and the NZBA Secretariat is providing support.

Most banks set targets in two sectors: 76% of banks that had set targets had done so in the power generation sector, and 57% in the oil and gas sector.

There was marked growth in the share of banks setting specific sectoral targets in some high-emitting sectors from September 2022 to end of September 2023. The share of banks setting targets for commercial and residential real estate went from 38% to 45%, and from 51% to 57% for oil and gas. For iron and steel, and for cement the share went from 18% to 23%.

Banks also set targets in other sectors relevant to their portfolios such as paper and pulp, project finance, and service companies. These targets are not captured in the charts below.

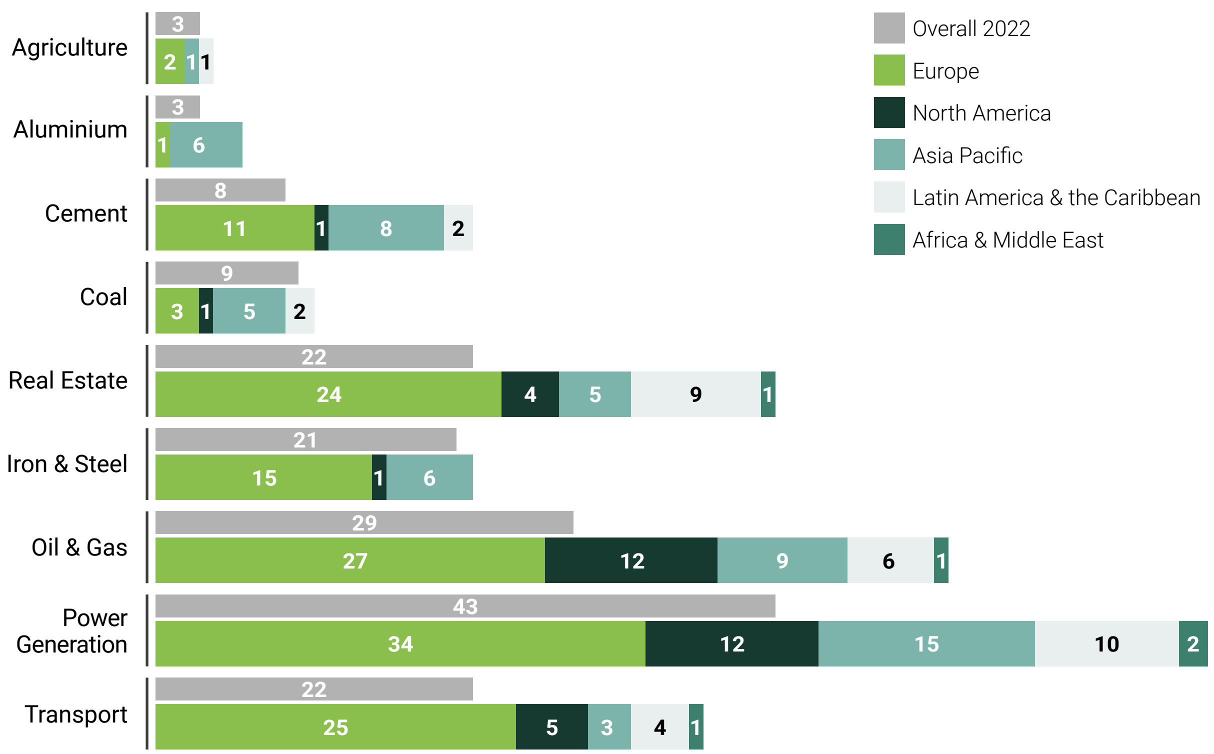


Figure 3: Targets set by members for the NZBA-specified sectors by region

Common target-related challenges faced by banks

As NZBA members go through the technically demanding process of setting and meeting targets, they face many challenges. They must master carbon accounting, develop and apply new methodologies, build new risk models, scale and capture new opportunities, and expand new capacities.

NZBA's next in-depth progress report will come in summer 2024 after the founding NZBA members are due to have published all their targets. It will provide an in-depth analysis of targets and progress towards net zero will be tracked.

Among others, the report will focus on the following common elements of targets:

1. **Coverage of targets.** Disclosing the coverage of targets is critical to assessing how comprehensive a bank's net-zero commitments are. A bank may disclose a target that only covers a fraction of its total financed emissions for that sector, but without clear disclosures, it is difficult to truly ascertain the ambition level of the targets. Our members are working to ensure consistent disclosure of coverage across their targets.

2. **Scenario usage**. The overarching goal of the Paris Agreement is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels." In the 2018 Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C scientists subsequently concluded that limiting warming to 1.5°C is necessary to avoid the worst impacts of climate change. In keeping with the NZBA's ambition to limit warming to 1.5°C, members should set targets at that ambition level. For various reasons, some members have based targets on scenarios targeting higher temperature outcomes, which are not consistent with the NZBA commitment.

3. **Disclosure in absolute and intensity terms.** It is critical that members disclose their emissions footprint in both intensity and absolute terms. Intensity-based emissions metrics measure emissions per unit of output, such as emissions per kilowatt-hour, or emissions per kilometre driven. Absolute emissions metrics measure total emissions, regardless of output. Disclosing both intensity-based and absolute emissions metrics is required by the Guidelines and important because it allows stakeholders to track a bank's progress over time and to compare its performance to other banks. It also helps to ensure that banks can explain the changes in their portfolio composition e.g., if they have grown their customer base in in a particular sector. It is expected that members lacking disclosures on either an intensity or absolute basis will remediate this gap.

Green financing case studies

For commercial banks, setting and meeting net-zero targets is dependent on policymakers providing the right policy and regulatory frameworks to incentivise the real economy to decarbonise. Where such frameworks exist alongside green technological alternatives, the business opportunities in financing the transition of the real economy to net-zero greenhouse gas emissions are large and growing. In this section, readers will find a selection of case studies from NZBA banks that showcase opportunities across different sectors and asset classes in markets ranging from Australia to Uzbekistan.

Mizuho supports early-stage technology for reducing emissions from heavy industry

In March 2023, Mizuho Bank announced a USD 5 million equity investment in MCi Carbon, an Australian clean technology company engaged in decarbonising global industries through Carbon dioxide Capture and Utilization (CCU).

MCi brings together carbon dioxide emissions from steel, cement, fertilizer, and mining facilities with a variety of feedstocks, including industrial by-products such as steel slag, mine tailings, and low-grade minerals, in a chemical process called mineral carbonation. In this way, it transforms carbon dioxide and waste into a variety of valuable and saleable inputs for building materials and other products.

This equity investment is part of a broader push from Mizuho to invest JPY 50 billion over the next ten years in companies developing early-stage technologies that can enhance environmental and social sustainability, including at the start-up and demonstration stages.

Read more on Mizuho's net-zero targets here

MCi Carbon constructed its Global Reference Pilot Plant in Newcastle, Australia

First Abu Dhabi Bank plays key role in financing of Central Asia's largest renewable project

In 2022, First Abu Dhabi Bank (FAB) played a leading role in financing the 500-megawatt Zarafshan wind project, the first wind power project in Uzbekistan and the largest renewable project in Central Asia to date. FAB acted as green loan coordinator, structuring bank, bookrunner and mandated lead arranger on a USD 102 million green loan facility. The facility was backed by Etihad Credit Insurance (ECI), UAE's export credit agency. The project also received over USD 175 million in long-term loan facilities from four development finance institutions.

The wind farm is expected to avoid 1.1 million tonnes of CO_2 emissions per year, power 500,000 homes, and contribute to Uzbekistan's target of generating 25% of its electricity from renewables by 2030.

Zarafshan is the first wind project financed by FAB. The bank's underwriting of half of the ECI-backed facility counts towards its goal to lend, invest, and facilitate business of USD 75 billion by 2030 for environmental and socially responsible activities.

Read more on FAB's net-zero targets here

Installing the first wind turbine of the 500MW Zarafshan Wind Power Project
© Masdar

Deutsche Bank arranges USD 670 million for battery energy storage in Texas

As lead arranger and joint bookrunner for three project financings from December 2022 to May 2023, Deutsche Bank raised USD 670 million for a loan facility for Plus Power to construct three fully merchant, utility-scale, battery energy storage projects in Texas totalling 700MW in capacity. Deutsche Bank committed to underwrite a large portion of the facility while syndicating to a large group of lenders pre- and post-closing.

Battery storage projects are one of the most rapidly growing asset classes in the clean tech industry. Total battery storage capacity in the U.S. climbed to 12.7 gigawatts by the end of the second quarter of 2023, according to S&P Global, up 61% from the year before.

Read more on Deutsche Bank's net-zero targets here

Société Générale supports a USD 1.2 billion loan for wind, solar, and battery storage project in India

Société Générale acted as mandated lead arranger and hedge provider for a USD 1.2 billion green loan for ReNew Power, one of India's largest renewable energy developers.

ReNew will use the proceeds from the loan, which reached financial close in early 2023, to build 900 megawatts of wind capacity, 400 megawatts of solar, and a battery capable of storing 100 megawatt hours of electricity. The project will be located across the states of Maharashtra, Karnataka, and Rajasthan in India. This is one of the first utility-scale, "round the clock" projects combining wind, solar and battery technology in India.

The transaction supports Société Générale's target of facilitating EUR 300 billion in sustainable finance by 2025.

Read more on Société Générale's net-zero targets here

Barclays delivers USD 300 million for electric trucking pioneer

In December 2022, Barclays delivered a USD 300 million securitisation transaction for Einride, committing USD 150 million of its own funds. Einride, a Swedish company that designs, develops, and deploys technologies for freight mobility will use this securitisation programme to finance its global, electric truck assets and customer contracts—permitting it to continue to scale its fleet, increase investment in research and development, and further develop relationships with partners. Founded in 2016, Einride's electric trucks and charging solutions allow shippers and carriers to go fully electric and reduce their carbon footprint.

Read more on Barclays net-zero targets here

Einride will use proceeds from its securitisation programme to finance its global, electric truck assets

© Einride

BBVA supports financing of battery gigafactory developments in France and Spain

In September this year, BBVA acted as mandated lead arranger for a EUR 801 million syndicated loan facility to Envision AESC to support a planned EUR 1.1 billion battery gigafactory project in northern France, alongside six other lenders. When it starts production in 2025, the factory is expected to support the construction of some 200,000 batteries per year in its initial phase, equivalent to nine gigawatt hours of energy. The batteries will equip electric vehicles to be built by Renault over the next six years.

In November, BBVA followed this by providing the EUR 90 million in guarantees needed by Envision Spain to secure EUR 300 million in loans and grants from the Spanish government's "Strategic Project for Economic Recovery and Transformation" programme. Envision will use the funds for the construction and operation of a lithium-ion battery gigafactory in western Spain with more than ten gigawatt-hours nominal capacity.

The financing will count towards BBVA's EUR 300 billion sustainable finance target for 2025.

Read more on BBVA net-zero targets here

Standard Chartered co-finances Indonesia's energy transition

In 2021, Standard Chartered helped finance a 145-megawatt floating solar photovoltaic power plant on the Cirata reservoir in West Java, issuing a USD 112 million 16-year project finance facility alongside two other lenders. On completion, it will be the first floating solar project in Indonesia and the biggest in Southeast Asia.

The Cirata project is also the first from an Independent Power Producer (IPP) in Indonesia to receive fully uncovered long-term loans from commercial banks without development finance institution or export credit agency involvement. The model this transaction has created could unlock significant amounts of further financing for Indonesian clean power markets and support Indonesia's goal to generate 23% of its electricity from renewable sources by 2025.

The project is expected to power 50,000 homes and avoid 214,000 tons of CO_2 emissions annually, while contributing to the creation of up to 800 jobs.

Standard Chartered's contribution to this transaction supports its target of mobilising USD 300 billion in sustainable finance by 2030.

Read more on Standard Chartered's net-zero targets here

Morgan Stanley leads EUR 1.5 billion equity capital raise for green steel producer

In September this year, H2 Green Steel announced that it had secured EUR 1.5 billion (USD 1.6 billion) in equity financing to finance Europe's first green steel plant. Since launch in 2021, H2 Green Steel has raised more than EUR 1.8 billion (USD 1.9 billion) of equity in three financing rounds. The company closed its series A equity round of EUR 86 million (USD 92 million) in May 2021 and announced the close of its series B1 round of EUR 260 million (USD 278 million) in October 2022. Morgan Stanley advised the company on the series B1 and latest series B2 rounds for this private placement.

H2 Green Steel aims to be the first industrial-scale end-to-end green steel producer and, on completion, claims its green-hydrogen-powered Boden plant will achieve CO_2 emissions reductions of around 95% compared to conventional European producers, yielding the greenest steel in the world. The transaction forms part of Morgan Stanley's pledge to mobilise at least USD 750 billion for low-carbon solutions by 2030

Read more on Morgan Stanley's net-zero targets [here]

An artist's impression of the H2 Green Steel plant in Boden, northern Sweden

Bank of America supports restructuring of Gabon's sovereign debt for nature-positive outcomes

In August 2023, the Government of Gabon, The Nature Conservancy and Bank of America announced the completion of the first 'Debt-for-Nature' transaction in mainland Africa and Africa's first ever involving private creditors. The USD 500 million refinancing of Gabon's sovereign debt will free up an expected USD 125 million for ocean conservation projects, supporting Gabon's ambitious national effort to protect 30% of its lands, freshwater systems, and ocean by 2030. The transaction benefitted from political risk insurance of up to USD 500 million provided by the US International Development Finance Corporation which resulted in a Aa2 investment grade rating for the transaction. This attracted investors, enabled issuance of longer duration debt than would be typically achievable for Gabon, and lowered its interest payments. Bank of America acted as sole initial purchaser, structuring agent, and bookrunner on this debt-for-nature conversion.

This transaction will enable Gabon to make annual contributions to a conservation fund and endowment that will continue to fund conservation after the bonds are repaid. It forms part of Bank of America's goal, announced in 2021, to mobilise and deploy USD 1.5 trillion in sustainable finance by 2030 of which USD 1 trillion is for the environmental transition.

Read more on Bank of America's net-zero targets here

Developments in climate-related voluntary frameworks, policy, and regulation

Key messages

- Mandatory net-zero-related policy and regulation is growing in many jurisdictions, while voluntary standards and guidance continue to fill the many remaining gaps.
- Over the past year, there has been increased convergence between voluntary standards, guidelines and accountability frameworks and even net-zero policy and regulation with the International Sustainability Standards Board (ISSB) standards expected to become a global baseline for climate-related disclosures.

Developments in voluntary frameworks

New ISSB standards expected to become a global baseline for sustainability reporting

In the last two years, considerable progress has been made on standardising and streamlining global sustainability reporting frameworks. This work began at COP26 in Glasgow, when on 3 November 2021, the trustees of the International Financial Reporting Standards (IFRS) Foundation announced the formation of the International Sustainability Standards Board (ISSB).

In June 2023, the ISSB issued its inaugural standards. Designed to reduce complexity, compliance risk, and reporting risk for financial and non-financial corporates, they will be effective for annual reporting periods beginning on or after 1 January 2024:

- IFRS S1 tells companies what information they need to disclose to investors about the financially material information about sustainability-related risks and opportunities they face over the short, medium, and long term.[4]

4 iasplus.com/en/standards/ifrs-sds/ifrs-s1#:~:text=IFRS%20S1%20was%20issued%20in,or%20after%201%20January%202024

- IFRS S2 is a climate standard. It sets out the requirements for "identifying, measuring, and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity",[5] and is designed to be used in combination with IFRS S1.

The ISSB standards are voluntary so, while any company can decide to use them right now, their mandatory implementation across the globe depends on jurisdictions choosing to mandate their use.

This shift is already happening. In July 2023, International Organization of Securities Commissions (IOSCO) endorsed the new standards. IOSCO is now calling "on its 130 member jurisdictions, regulating more than 95% of the world's financial markets, to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors".[6]

Several jurisdictions across the globe have already made announcements on how they plan to incorporate these standards in their own sustainability disclosure requirements:

- In Europe, the European Commission (EC) recently adopted the first set of European Sustainability Reporting Standards (ESRS) and confirmed a high degree of alignment on climate disclosure of financial materiality between ESRS and the ISSB standards.
- UK regulators have also signalled support for ISSB standards, with the HM Treasury confirming plans to establish the Sustainability Disclosure Standards (SDS) framework to make decision on adopting and endorsing this first set of ISSB standards for the UK by July 2024.
- In North America, the Canadian banking regulator has committed to incorporating the ISSB standards into its Guideline B-15 on climate risk management, which it issued in March 2023.
- In Latin America, the Chilean banking regulator expects to start work on addressing sustainability disclosures under the ISSB standards in 2023 while the Brazilian Ministry of Finance recently announced that it will use the new ISSB standards on a voluntary basis from 2024 before shifting to mandatory use on 1 January 2026, as part of mandatory IFRS accounting standards.
- In Asia Pacific, regulatory entities in several jurisdictions, such as Australia, China, Hong Kong, Japan, Singapore, and Taiwan, welcomed the standards and are looking into how they might be incorporated into their planned climate disclosure regulation. For instance, Japanese regulators are preparing a local version of the ISSB standards, with final standards released by 31 March 2025.

5 iasplus.com/en/standards/ifrs-sds/ifrs-s2#:~:text=IFRS%20S2%20was%20issued%20in,or%20after%201%20January%202024

6 iosco.org/news/pdf/IOSCONEWS703.pdf

The ISSB was created from a consolidation of the pre-existing sustainability reporting frameworks, including the Sustainability Accounting Standards Board (SASB) and the Climate Disclosure Standards Board (CDSB). ISSB methodology is designed to be compatible with the Taskforce for Climate-Related Financial Disclosures (TCFD) and is in fact based on the TCFD disclosure recommendations around governance, strategy, risk management and metrics and targets.

The G20's Financial Stability Board, which requested the establishment of the TCFD in 2017, noted in July that the publication of the standards marks, "the culmination of the work of the TCFD". At the same time, it was announced that ISSB would take over monitoring of the state of climate disclosures from TCFD from the start of 2024.

By subsuming these pre-existing frameworks, the ISSB seeks to avoid duplicative reporting requirements, increase uptake of standards application by end users, and ensure interoperability with other voluntary initiatives and/or jurisdictional requirements. Lastly, as part of the IFRS Foundation, the ISSB standards are compatible with the financial standards used by most companies around the world.

PCAF methodology on capital market facilitated emissions

The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative with over 450 members that seeks to develop the Global GHG Accounting and Reporting Standard for the Financial Industry to measure and disclose the greenhouse gas emissions associated with portfolios of loans, investments, and other financial products and services. Many NZBA members contribute to the development of PCAF methodologies.

Publication of a PCAF methodology covering off-balance sheet capital market transactions is imminent. The new part B of the Standard: Facilitated Emissions will help financial institutions consistently quantify the GHG emissions associated with their facilitation of capital markets activities in order to generate a clearer understanding of institutions' GHG emissions profile and enable target-setting by banks. It will also support more informed analysis and comparison of financial institutions by their investors and other stakeholders.

Establishment of UNFCCC Recognition and Accountability Framework

As part of its increased efforts to boost the recognition and transparency of voluntary climate action initiatives and pledges, in June 2023 UN Climate Change (UNFCCC) published a 'Recognition and Accountability Framework' for non-Party stakeholders. This framework, commissioned by the UN Secretary-General, will streamline different guidance and frameworks coming out of the UN for easier implementation by stakeholders.

Under the framework, UNFCCC also published an implementation plan, which focuses on net-zero pledges from non-state actors. This first implementation plan will establish a new process to monitor and analyse voluntary net-zero commitments from non-state actors. The process will inform the outcomes of the global stocktake in 2023 and the update of countries' nationally determined contributions (NDCs) in 2025.

Developments in policy and regulation

There has been a significant increase in sustainable finance policy and regulatory measures globally in recent years, in both their scope and depth. As of July 2023, the UNEP Green Finance Measures Database registers over 780 sustainable finance policy measures in 100 countries. Regulatory attention has thus far focused on strengthening the enabling environment for sustainable finance.

European Union (EU): The EU continues to lead the global regulatory field in the uptake of sustainable finance regulatory measures. The European Commission (EC) and its regulatory authorities are especially focused on the EU Taxonomy, corporate disclosures, and strengthening the prudential framework. The most recent updates include:

- Environmental Taxonomy: In June 2023, the EC expanded the EU Taxonomy to encompass four environmental objectives in addition to climate: water/marine resources, circular economy, pollution, and biodiversity.
- Corporate disclosures: In July 2023, the EC adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). While the ESRS aligns with the ISSB for the financial materiality component, it also includes disclosure requirements on subject matters in addition (double materiality). The ESRS standards are expected to come into force from January 1, 2024.
- Prudential rules: The EU's review of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) generated new regulatory requirements for how banks manage ESG risks, including a mandatory requirement to develop transition plans. Provisional agreements on this regulation are expected to conclude by the end of 2023.
- Due diligence and transition plans: The EC proposal for a Directive on Corporate Sustainability Due Diligence (CSDDD) has entered the trialogue stage of deliberation. CSDDD seeks to establish a method for how European companies, including financial institutions, address human rights and environmental risks and impacts across their operations and corporate governance frameworks.

United Kingdom: The UK's Bank of England was one of the first jurisdictions to move quickly on sustainable finance, publishing findings report from their 2021 Biennial Exploratory Scenario (CBES), which "explored the resilience of UK banks and insurers to the financial risks associated with the physical impacts from climate change and the transition to a net-zero economy." The Bank also issued the world's first formal supervisory expectation on climate risks in 2019. While evidence of progress has slowed in the last year, forward steps are still being taken, including:

- Investment labels: In August 2023, initial guidance on the framework for developing the UK Sustainability Disclosure Standards (SDS) was published by the UK government. These standards will underpin future legislation and regulation related to reporting on sustainability matters, including climate change. The UK SDS are expected to be published by mid-2024 and take effect on 1 January 2025.

- **Transition plans:** The Transition Plan Taskforce (TPT) has a two-year mandate to develop a 'gold standard' for private sector transition plans. The TPT published its first Disclosure Framework in October 2023, setting out good practice for robust and credible transition plan disclosures. It also launched a consultation for sector-specific guidance, including for banks, which is open until 29 December 2023.

United States: In recent years, the US relaunched itself on the global stage for sustainable finance, with the Fed becoming a formal member of the Network for Greening the Financial System (NGFS) in 2021. Between December 2021 and December 2022, all three US bank regulators issued (proposed) guidance on climate-related financial risk. US financial regulators have also taken initial steps to develop and implement regulations and legislation in support of more sustainable practices. Despite these steps, US regulation lags developments in the EU and parts of Asia. Some indications of progress include:

- The Fed announced in January 2023 that it is conducting a pilot climate scenario analysis (CSA).
- In March 2022, the US Securities and Exchange Commission (SEC) proposed new rules for climate change disclosures by listed companies.
- In September 2023, the US Treasury announced nine voluntary principles for financial institutions to observe in pursuing net-zero financing and investing activities. Notably, these principles include the recommendations that financial institutions should have a net-zero transition plan and that any net-zero commitments made should be in line with limiting the global average temperature to no more than an increase of 1.5°C above pre-industrial temperatures.
- In October 2023, the State of California approved two laws (SB253 and SB261) which require companies doing business in the state to disclose certain climate-related impacts. SB261 applies to companies that generate at least USD 500 million per year in revenues to publicly disclose their climate-related risk management strategies. SB253 applies to companies with revenues over USD 1 billion per year and requires them to also disclose greenhouse gas emissions.

Asia-Pacific: In 2023, the Association of Southeast Asian Nations (ASEAN) common taxonomy framework released an updated version that incorporates the financing of coal phase-out. Singapore released a final consultation on its national green taxonomy in Spring 2023 and is expected to publish a final version before the end of 2023. Meanwhile, central banks in the Asia-Pacific region are advancing climate-related risk management: Bank Negara Malaysia announced its first climate stress test for 2024, while in September 2023 the Hong Kong Monetary Authority released a set of principles for banks on credible net-zero transition plans.

Latin America: Latin American jurisdictions are rapidly developing national taxonomies around sustainable finance. In July 2023, UNEP FI and a consortium of partners developed a common taxonomy framework for the region to enhance greater inter-operability of existing taxonomy frameworks. Jurisdictions are also exploring the impact of environmental factors beyond climate change on their financial sectors. For example, Mexico conducted an analysis on dependencies and impacts of the Mexican banking sector on ecosystem services in June 2023.

NZBA outlook for the next twelve months

Upcoming NZBA publications

Continuing its efforts to support the target setting and implementation efforts of its members, the NZBA's industry-led work tracks are preparing to publish supporting materials for several sectors over the coming months.

Founding members due to submit all targets required under the NZBA commitment

21 April 2024 will be the third anniversary of NZBA's founding—an important milestone that will also mark the 36-month deadline by which its 43 founding members must set their full suite of targets for all, or a substantial majority of, the nine priority sectors outlined in the Guidelines for Climate Target Setting for Banks. These sectors are agriculture, aluminium, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation, and transport.

As members start to publish their transition plans, outlining the actions they will take to meet their targets, we will start to gain a clearer picture of how members will deliver on their commitment.

Increased transparency on approaches and progress

Fifty-one NZBA member banks are due to publish transition plans detailing how they will meet their targets and to begin reporting on progress against their targets by the end of 2023. Sixty-two more are due to do so in the course of 2024.

NZBA accountability mechanism

NZBA's governance document sets out an accountability mechanism which is already engaging with members that are having difficulties meeting the commitment. NZBA will soon publish more details on its accountability mechanism to support its implementation and promote transparency.

NZBA Guidelines review

In early 2023, the NZBA Steering Group began the process of updating the Guidelines for Climate Target-Setting for Banks which act as a foundational underpinning to the central commitment of the Alliance. According to their review schedule, the Guidelines must be reviewed at least every three years; version 2 is expected to be implemented in April 2024.

2024 Progress Report

In summer 2024, NZBA will publish a full progress report which will collate and analyse the collective projections of the targets its members commit to set both 18-months and 36-months years after joining and report on any progress made against them. As banks continue to join NZBA, its members will continue to set net-zero targets at 18-months and 36-months years after their respective joining dates.

Annex I: Full members listing with links to targets

Signatory	Region	Country	Date signed	First targets due	Link to published targets
ABANCA Corporación Bancaria S.A	Europe	Spain	May 21	Sep 22	link
ABN AMRO BANK N.V.	Europe	Netherlands	Dec 22	Jun 24	
Abu Dhabi Commercial Bank PJSC	Africa & Middle East	United Arab Emirates	Nov 23	May 25	
AIB Group Plc	Europe	Ireland	Apr 21	Oct 22	link
Alpha Bank	Europe	Greece	May 23	Nov 24	
Amalgamated Bank	North America	USA	Apr 21	Sep 22	link
ANZ Group Holdings Limited	Asia Pacific	Australia	Oct 21	Apr 23	link
Areti Bank	Latin America & Caribbean	USA	Jun 23	Dec 24	
BAC Credomatic	Latin America & Caribbean	Costa Rica	Oct 21	Apr 23	link
Banca Ifis	Europe	Italy	Oct 21	Apr 23	link
Banca Monte dei Paschi di Siena S.p.A.	Europe	Italy	Jan 22	Jul 23	link
Banco BPM	Europe	Italy	Mar 23	Sep 24	
Banco Bradesco S.A.	Latin America & Caribbean	Brazil	Jul 21	Jan 23	link
Banco Davivienda	Latin America & Caribbean	Colombia	Jul 23	Jan 25	

Signatory	Region	Country	Date signed	First targets due	Link to published targets
Banco de Bogotá S.A	Latin America & Caribbean	Colombia	Dec 22	Jun 24	
Banco de Crédito e Inversiones (Bci)	Latin America & Caribbean	Chile	Jul 23	Jan 25	
Banco de Crédito Social Cooperativo (Grupo Coop-erative Cajamar)	Europe	Spain	Jun 22	Dec 23	link
Banco de la Produccion S.A Produbanco	Latin America & Caribbean	Ecuador	Apr 21	Sep 22	link
Banco Mercantil del Norte, S.A. Institución de Banca Multiple Grupo Financiero Banorte.	Latin America & Caribbean	Mexico	Apr 21	Oct 22	link
Banco Pichincha C.A.	Latin America & Caribbean	Ecuador	Jan 22	Jul 23	Awaiting targets
Banco Promerica (Costa Rica)	Latin America & Caribbean	Costa Rica	Apr 21	Sep 22	link
Banco Sabadell S.A.	Europe	Spain	Oct 21	Apr 23	link
Banco Santander S.A.	Europe	Spain	Apr 21	Sep 22	link
BancoEstado	Latin America & Caribbean	Chile	Sep 21	Mar 23	link
Bancolombia SA	Latin America & Caribbean	Colombia	Apr 21	Oct 22	link
Bank of Åland Plc	Europe	Finland	Apr 21	Oct 22	link
Bank of America	North America	USA	Apr 21	Oct 22	link
Bank of New Zealand (BNZ)	Asia Pacific	New Zealand	Oct 21	Apr 23	link
Bankinter	Europe	Spain	Oct 21	Apr 23	link
Banpro Grupo Promerica	Latin America & Caribbean	Nicaragua	Apr 21	Sep 22	link
Banque et Caisse d'Epargne de l'Etat, Luxembourg	Europe	Luxembourg	Oct 21	Apr 23	link
Barclays plc	Europe	United Kingdom	Apr 21	Oct 22	link
Basellandschaftliche Kantonalbank	Europe	Switzerland	Oct 21	Apr 23	link
BBVA Group	Europe	Spain	Apr 21	Sep 22	link

Signatory	Region	Country	Date signed	First targets due	Link to published targets
Berner Kantonalbank	Europe	Switzerland	Feb 22	Aug 23	link
Blue Ridge Bank	North America	USA	Dec 21	Jun 23	Awaiting targets
BMO Financial Group	North America	Canada	Oct 21	Apr 23	link
BNP Paribas	Europe	France	Apr 21	Sep 22	link
BPER Banca S.p.A.	Europe	Italy	Mar 22	Aug 23	link
Caixa Geral de Depósitos (CGD)	Europe	Portugal	Jun 21	Dec 22	link
Caixabank	Europe	Spain	Apr 21	Oct 22	link
Canadian Imperial Bank of Commerce (CIBC)	North America	Canada	Oct 21	Apr 23	link
CIMB Bank Berhad	Asia Pacific	Malaysia	Sep 21	Sep 22	link
Citi	North America	USA	Apr 21	Oct 22	link
Climate First Bank	North America	USA	Dec 21	Jun 23	Awaiting targets
Close Brothers Group plc	Europe	United Kingdom	Sep 22	Mar 24	
Coast Capital	North America	Canada	Dec 21	Jun 23	Awaiting targets
Commercial International Bank (CIB)	Africa & Middle East	Egypt	Apr 21	Oct 22	link
Commerzbank AG	Europe	Germany	Apr 21	Oct 22	link
Commonwealth Bank of Australia	Asia Pacific	Australia	Jan 22	Jul 23	link
Coöperatieve Rabobank U.A.	Europe	Netherlands	Nov 21	Apr 23	link
Crédit Agricole S.A.	Europe	France	Jun 21	Sep 22	link
Crédit Mutuel	Europe	France	May 21	Nov 22	link
Crédit Mutuel Arkéa	Europe	France	Nov 22	May 24	
CS Ahorro y Crédito	Latin America & Caribbean	Costa Rica	Apr 21	Oct 22	link

Signatory	Region	Country	Date signed	First targets due	Link to published targets
Danske Bank A/S	Europe	Denmark	Oct 21	Apr 23	link
DBS Bank Ltd.	Asia Pacific	Singapore	Oct 21	Apr 23	link
Deutsche Bank AG	Europe	Germany	Apr 21	Oct 22	link
Ecology Building Society	Europe	United Kingdom	Apr 21	Sep 22	link
Erste Group Bank AG	Europe	Austria	Oct 21	Apr 23	link
Fana Sparebank	Europe	Norway	Apr 21	Sep 22	link
First Abu Dhabi Bank P.J.S.C.	Africa & Middle East	United Arab Emirates	Oct 21	Apr 23	link
Garanti Bank	Europe	Türkiye (Republic of)	Aug 21	Mar 23	link
Groupe BPCE	Europe	France	Jun 21	Dec 22	link
Habib Bank Limited	Asia Pacific	Pakistan	Jul 23	Jan 25	
Hana Financial Group	Asia Pacific	South Korea	May 22	Nov 23	link
HSBC Holdings plc	Europe	United Kingdom	Apr 21	Oct 22	link
IBERCAJA BANCO S.A.	Europe	Spain	Apr 21	Oct 22	link
IDLC Finance Limited	Asia Pacific	Bangladesh	Apr 21	Sep 22	Awaiting targets
Industrial Bank of Korea (IBK)	Asia Pacific	South Korea	Sep 21	Mar 23	Awaiting targets
ING	Europe	Netherlands	Aug 21	Sep 22	link
Intesa Sanpaolo	Europe	Italy	Oct 21	Apr 23	link
Investec group	Africa & Middle East	South Africa	Oct 21	Apr 23	link
Íslandsbanki hf.	Europe	Iceland	Apr 21	Oct 22	link
Itaú Unibanco Holding S.A.	Latin America & Caribbean	Brazil	Oct 21	Apr 23	link
JB Financial Group	Asia Pacific	South Korea	Aug 21	Feb 23	link

Signatory	Region	Country	Date signed	First targets due	Link to published targets
JPMorgan Chase	North America	USA	Oct 21	Apr 23	link
KB Financial Group Inc.	Asia Pacific	South Korea	Apr 21	Sep 22	link
KCB	Africa & Middle East	Kenya	Apr 21	Sep 22	Awaiting targets
La Banque Postale	Europe	France	Apr 21	Sep 22	link
LGT Private Banking	Europe	Liechtenstein	Apr 21	Oct 22	link
Liechtensteinische Landesbank AG	Europe	Liechtenstein	Aug 21	Feb 23	link
Lloyds Banking Group	Europe	United Kingdom	Apr 21	Oct 22	link
Macquarie Group	Asia Pacific	Australia	Oct 21	Apr 23	link
Maybank	Asia Pacific	Malaysia	Nov 22	May 24	
Mediobanca	Europe	Italy	Nov 21	May 23	link
Mitsubishi UFJ Financial Group, Inc	Asia Pacific	Japan	Jun 21	Dec 22	link
Mizuho Financial Group, Inc.	Asia Pacific	Japan	Oct 21	Apr 23	link
Morgan Stanley	North America	USA	Apr 21	Oct 22	link
National Australia Bank Limited	Asia Pacific	Australia	Dec 21	Nov 22	link
National Bank of Canada	North America	Canada	Oct 21	Apr 23	link
NATIONAL BANK OF GREECE S.A.	Europe	Greece	Oct 23	Apr 25	link
Nationwide Building Society	Europe	United Kingdom	Jun 21	Dec 22	link
NatWest Group	Europe	United Kingdom	Apr 21	Oct 22	link
NLB Group	Europe	Slovenia	May 22	Nov 23	
Nomura Holdings, Inc.	Asia Pacific	Japan	Sep 21	Mar 23	link
NongHyup Financial Group	Asia Pacific	South Korea	May 22	Nov 23	link

Signatory	Region	Country	Date signed	First targets due	Link to published targets
Nordea Bank Abp	Europe	Finland	Oct 21	Sep 22	link
Nykredit A/S	Europe	Denmark	Oct 22	Apr 24	
OakNorth Bank	Europe	United Kingdom	Feb 22	Aug 23	link
OCBC Bank	Asia Pacific	Singapore	Oct 22	Apr 24	link
OSB GROUP PLC	Europe	United Kingdom	Feb 22	Aug 23	link
Prime Bank Limited	Asia Pacific	Bangladesh	May 23	Nov 24	
ProCredit Holding AG & Co. KGaA	Europe	Germany	Nov 22	May 24	
Raiffeisen Group Switzerland	Europe	Switzerland	Oct 23	Apr 25	
Renta4banco	Europe	Spain	Jun 23	Dec 24	
Republic Financial Holdings Limited	Latin America & Caribbean	Trinidad and Tobago	Apr 21	Oct 22	link
Royal Bank of Canada	North America	Canada	Oct 21	Apr 23	link
Scotiabank (Bank of Nova Scotia)	North America	Canada	Oct 21	Apr 23	link
Shinhan Financial Group	Asia Pacific	South Korea	Apr 21	Oct 22	link
Skandinaviska Enskilda Banken (SEB)	Europe	Sweden	Apr 21	Oct 22	link
Société Générale	Europe	France	Apr 21	Sep 22	link
Sovcombank	Europe	Russia	Dec 21	Sep 22	link
SpareBank 1 Østlandet	Europe	Norway	Apr 21	Oct 22	link
Standard Chartered plc	Europe	United Kingdom	Apr 21	Sep 22	link
Sumitomo Mitsui Financial Group, Inc.	Asia Pacific	Japan	Oct 21	Apr 23	link
Sumitomo Mitsui Trust Holdings, Inc.	Asia Pacific	Japan	Oct 21	Apr 23	link
Svenska Handelsbanken	Europe	Sweden	Apr 21	Oct 22	link

Signatory	Region	Country	Date signed	First targets due	Link to published targets
Swedbank AB	Europe	Sweden	May 21	Nov 22	link
TD Bank Group	North America	Canada	Oct 21	Apr 23	link
The City Bank Limited	Asia Pacific	Bangladesh	Mar 22	Sep 23	link
The Goldman Sachs Group, Inc.	North America	USA	Oct 21	Apr 23	link
The Norinchukin Bank	Asia Pacific	Japan	Mar 23		link
Triodos Bank NV	Europe	Netherlands	Apr 21	Sep 22	link
TSB Bank	Europe	United Kingdom	Nov 21	May 23	link
Türkiye Halk Bankasi A.S. (HALKBANK)	Europe	Türkiye (Republic of)	May 22	Nov 23	link
Türkiye İş Bankası A.Ş. (Işbank)	Europe	Türkiye (Republic of)	Apr 22	Oct 23	link
Turkiye Sinai Kalkinma Bankasi (TSKB)	Europe	Türkiye (Republic of)	Sep 22	Mar 24	
UBS AG	Europe	Switzerland	Apr 21	Oct 22	link
UniCredit	Europe	Italy	Oct 21	Apr 23	link
UOB	Asia Pacific	Singapore	Oct 22	Apr 24	
Vancity	North America	Canada	Apr 21	Oct 22	link
Virgin Money UK PLC	Europe	United Kingdom	Oct 21	Apr 23	link
VP Bank Group	Europe	Liechtenstein	Sep 21	Mar 23	link
Wells Fargo & Company	North America	USA	Oct 21	Apr 23	link
Westpac Banking Corporation	Asia Pacific	Australia	Jul 22	Jan 24	link
WOORI FINANCIAL GROUP	Asia Pacific	South Korea	Oct 22	Apr 24	link
Yapi Kredi	Europe	Türkiye (Republic of)	Jul 23	Jan 25	
Zürcher Kantonalbank	Europe	Switzerland	Dec 22	Jun 24	

Annex II: Key terms

Net zero: Net zero refers to a state where the magnitude of GHG emissions is equal to the magnitude of GHG removals. Priority is given to the reduction of GHG emissions to as close to zero as possible, with residual emissions remaining only where there are limited viable alternatives to completely eliminate emissions. These residual emissions will then need to be neutralised with carbon removals.

Pathway: As described in the IPCC's Sixth Assessment Report (AR6), the Shared Socio-economic Pathways (SSPs) describe five different 21st century pathways for of greenhouse gas (GHG) emissions and atmospheric concentrations, air pollutant emissions, and land use. The SSPs have been developed using Integrated Assessment Models (IAMs) as input to a wide range of climate model simulations to project their consequences for the climate system. These climate projections, in turn, are used for impacts and adaptation assessments.

Portfolio target: Emissions reductions targets set for a bank's individual business portfolios, which may span various sectors.

Scenario: A climate scenario is a plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change. Climate scenarios often make use of climate projections (descriptions of the modelled response of the climate system to scenarios of greenhouse gas and aerosol concentrations), by manipulating model outputs and combining them with observed climate data. See ipcc.ch/site/assets/uploads/2018/03/TAR-13.pdf

Integrated assessment modelling (IAM) may be used to generate scenarios to inform policy making by linking the main features of society and economy with the biosphere and atmosphere into one modelling framework. Some of the key scenarios include:

- The International Energy Agency's NZE2050 and B2DS
- The Network for Greening the Financial System (NGFS's) NZ2050 and Divergent Net Zero
- IPCC SSP1–1.9
- Institute for Sustainable Futures (ISFNZ)

Sector target: Emissions reductions targets set for a bank's exposure to specific industrial sectors, as defined by internationally recognised sector classification codes, such as NACE, SIC, GICS or NAICS.

UNEP Finance Initiative brings together a large network of banks, insurers and investors that collectively catalyses action across the financial system to deliver more sustainable global economies. For more than 30 years the initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. We've established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges.

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