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Guidelines for Climate Target Setting for Banks

Supporting notes for Version 2

May 2024

Legal and regulatory disclaimer

The Net-Zero Banking Alliance (NZBA) expects members to be committed to complying with all laws and regulations applicable to them. This includes, amongst others, antitrust and other regulatory laws and regulations and the restrictions on information exchange and other collaborative engagement they impose. Further, each member is responsible for independently setting its own individual targets in its own judgment and in line with its own business goals (subject to, and consistent with, all fiduciary and contractual duties, laws, and regulations).

This document does not create binding obligations on any person, including NZBA and its members, as it reflects mere guidance.

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Application dates

Q. When does Version 2 of the Guidelines apply?

Version 2 of the Guidelines became effective on 22 April 2024. While banks are encouraged to apply the Guidelines as soon as possible, some elements (such as the inclusion of capital markets activities) may require significant work including changes to processes and may be complex in terms of data gathering. Accordingly, a lead-in period is implemented for the inclusion of capital markets activities in addition to a broader transitional period.

- From 22 April 2024 all new targets which are set or existing targets which are reviewed after this date shall be aligned with Version 2 of the Guidelines, with the exception of capital markets which shall be included in new targets published from 1 November 2025.
- Banks shall, wherever practicable, apply Version 2 of the Guidelines to any targets set after 22 April 2024. However, where that is not practicable, banks may set targets using Version 1 of the Guidelines until 31 December 2024. In these instances, banks should explain their rationale and state which version of the Guidelines targets are set against.

By 1 November 2025, all targets “previously set” should have been reviewed to include capital markets targets, where significant and where data and methodologies allow. This covers all targets set since the launch of the Alliance on 21 April 2021, whether they were set using Version 1 or Version 2 of the Guidelines. The word “review” in this context does not imply that a bank should review any other element of the original targets’ components (coverage, ambition, scenarios, etc): it focuses merely on the addition of capital markets to the scope. It is at the discretion of the bank as to whether the capital markets activities are included within the same target or set as an additional, separate target.

For example:

- A bank set a target for Real Estate and Shipping in August 2022 and Oil & Gas in September 2023. By 1 November 2025, they should have looked at the sectors again to add capital markets to the scope of these targets, where significant and where data and methodologies allow. A bank may “integrate” facilitated emissions into a single target for each of these sectors or set a separate one (i.e. they could have two targets for any of the sectors: one for financed emissions and one for facilitated emissions).

- A bank in the process of setting targets for the first time should consider including capital markets activities after 22 April 2024. If targets are initially set without capital markets activities, then they should be reviewed by 1 November 2025 to add capital markets, where significant and where data and methodologies allow.

Reference: Page 5 of the Guidelines

Q. When do facilitated emissions need to be disclosed?

The requirements regarding the disclosure of facilitated emissions are the same as for financed emissions. Specifically, the facilitated emissions profile of the bank's portfolio shall be calculated and disclosed annually. This shall include, where targets have been set: absolute emissions, portfolio-wide emissions intensity, and sector-specific emissions intensity.

The scope and boundary of the emissions profile should account for a significant majority of the bank's emissions.

Effectively, this requirement for disclosure of facilitated emissions begins once banks have started setting facilitated emissions targets, which in many cases will be after 1 November 2025.

Reference: Pages 14–15 of the Guidelines

Target setting

Q. Why do the Guidelines insist on science-based targets? Why are they essential for the net-zero target-setting process?

The NZBA relies on the international climate science community to inform its target-building process, via the best-available research and widely accepted integrated climate models. It is critical that targets are grounded in the best-available science to ensure that efforts to achieve a net-zero future are meeting their intended goal.

Footnote 3 in version 2 of the Guidelines clarifies that "science-based" refers to 1.5°C approaches (e.g., scenarios, pathways, methodologies) from credible sources. It does not refer to a validation by third party initiatives.

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

The Guidelines are comply-or-explain, so elements are optional so long as a rationale is provided. Banks are expected to follow their own internal processes in determining appropriate disclosures to include in their reporting processes.

In the Guidelines, verbs have a specific meaning, and the following terminology is used:

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

Where banks are unable to meet a principle, they can explain their individual circumstances. For example:

- If a bank determines that two of the nine carbon-intensive sectors are not significant to its portfolio, then it should explain the basis for these exclusions. For instance, this would be by demonstrating how these two sectors are financially (in terms of financial exposure) and/or environmentally (in terms of GHG emissions) not significant to their portfolios.
- If a bank has already set targets for all nine carbon-intensive sectors and determines that capital markets activities are significant for only four of these sectors, then it should provide a rationale for the exclusion of the capital markets activities for the five other sectors (as per above, for financial and/or environmental insignificance reasons).

- If a bank selects a less commonly used regional scenario to set its targets, then it should explain how this scenario is aligned with a “no-overshoot” or “low-overshoot” 1.5 °C by end of century outcome.

Q. Should member banks obtain verification or assurance on targets’ underlying data?

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

Principles for Responsible Banking (PRB) signatories are required to have this limited assurance over their targets in place within four years of signing the Principles. Where information in the PRB report is assured in other reporting, this is sufficient. For more information, see PRB’s Guidance for Assurance Providers.

Q. Can member banks use carbon credits to meet their targets?

In implementing and reaching targets for all scopes of emissions, carbon credits can play a role in supplementing decarbonisation in line with climate science. The reliance on carbon credits for achieving end-state net-zero should be restricted to carbon removals to balance residual emissions where there are limited technologically or financially viable alternatives to eliminate emissions. Carbon credits should always be additional and certified. Banks should conduct appropriate due diligence on client credit claims in line with other internal processes.

Banks shall be diligent in applying evolving leading practices consistent with published standards or frameworks on the use of carbon credits. This may include, for example, the latest version of the GHG Protocol and the [NZBA Supporting Note on Carbon Credits](#).

Reference: Page 12 of the Guidelines

Q. What methodological approaches currently satisfy NZBA emissions-based target requirements and are other types of methodologies acceptable?

Banks shall use emissions-based targets (absolute or intensity) to meet their NZBA commitment. Additional targets (including sustainable finance 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)).

As noted in the Guidelines, the denominators for intensity metrics should be physical metrics (e.g. CO₂e/kWh, CO₂e/m², CO₂e/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 are encouraged to 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.

In Version 2 of the Guidelines, it is noted that the Alliance may produce additional sector-specific resources that highlight specific additional methodologies where there is a robust and credible rationale for incentivising optimal real-world emissions outcomes and where those methodologies are a) based on emissions data, b) transparently calculated with the formulae in the public domain, and c) match the climate ambition of the NZBA framework.

Reference: Page 8 of the Guidelines

Q. What is meant by 'data of the highest quality' for GHG emissions measurements?

No specific methodology is required to be used to calculate GHG emissions under the Guidelines. If several data sources are available, data of the highest quality are expected to be used. For example, if a bank's client reports its GHG emissions, it is expected that this data point will be used instead of an estimate, unless justified. Similarly, if reported emissions from a client are not available, but it is possible to calculate the client's emissions based on physical activity data, then this approach should be prioritised before making an estimate based on economic activity.

Reference: Page 8 of the Guidelines

Q. Provide clarification regarding how to account for market and other fluctuations for financial metrics

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

The NZBA does not suggest a specific attribution method, but disclosure of this information is encouraged for transparency and to improve comparability between institutions.

Reference: Page 8 of the Guidelines

Q. Can a bank's long-term target be set before 2050?

While most organizations are targeting net zero by 2050, banks may set their long-term target before 2050, as indicated in the Guidelines.

This is also why the Guidelines occasionally refers to long-term targets as “2050 (or sooner)”.

Reference: Page 8 of the Guidelines

Q. Do the types of 2030 and 2050 targets need to be the same?

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 to meet their NZBA commitment, 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 addition, while it is not required of banks to simultaneously disclose the intermediate and long-term targets, banks are encouraged 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.

For long-term (2050 or sooner) targets, banks are not expected to provide as much detail as for intermediate targets in recognition of uncertainties including the non-static nature of portfolios over multiple decades, expected growth in portfolio coverage, technological developments, evolving policies and evolution of consumer behaviour and demand.

Reference: Page 8 of the Guidelines

Q. When should targets be reviewed and, if necessary, revised?

A review of a target does not imply that changes will definitely 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 Guidelines.

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

Following the publication of Version 2 of the Guidelines, by 1 November 2025, all previously set targets should have been reviewed to include capital markets targets, where significant and where data and methodologies allow. This covers all targets set since the launch of the Alliance on 21 April 2021, whether they were set using Version 1 or Version 2 of the Guidelines.

In this particular instance, the word "review" does not imply that a bank should review the rest of the original targets' components (coverage, ambition, scenarios etc): it focuses merely on the addition of capital markets to the scope.

Reference: Page 5 of the Guidelines

Q. Should banks "backwards-report" emissions for the years between the baseline and the date the target is set?

While banks are expected to annually publish 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 2024 using a 2023 baseline is expected to disclose the target baseline for 2023, the target emissions profile in 2024 (the first year towards the achievement of the target), and target progress every year thereafter.
- A bank setting a target in 2024 using a 2022 baseline is expected to disclose the target baseline for 2022, the target emissions profile in 2024 (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 2023.

- A bank setting a target in 2024 using a 2021 baseline is expected to disclose the target baseline for 2021, target emissions profile in 2024 (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 2022 and 2023.

It is noted that there may be a lag between financial reporting and the reporting of emissions-related data for banks' clients. In these instances, banks are encouraged to use the most recent data available even if it is representative of different years.

Q. In which sectors are Scope 3 emissions significant?

Scope 3 emissions are relevant for virtually all NZBA priority sectors. The Guidelines are built around a sectoral approach to target setting. It is important that Scope 3 emissions which are "significant" to a given sector be included in targets (subject to data and methodological limitations).

Additional sector-specific guidance is being assessed and/or has been published by the NZBA Sector Work Track which may inform banks' individual target-setting approaches.

Where such guidance is incomplete or ambiguous, it is important to include Scope 3 where they meet a "significance" threshold. NZBA does not specify a quantitative threshold for significance. Banks should explain their approach to determining "significance".

Reference: Page 9 of the Guidelines

Q. How may banks report multiple counting of Scope 3 across sectors?

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 instance, a part of the oil and gas value chain emissions would likely also appear in the transport sector's value chain. As such, these emissions are potentially "counted twice" without adjustments or clarifications as to the approach taken to avoid double-counting.

Multiple counting of emissions is not by default a technical challenge because the purpose of this exercise is to gain decision-useful information for banking activities, rather than produce a comprehensive GHG inventory.

For the purpose of target setting, it is expected that some emissions will be counted multiple times. Banks may account for multiple-counting within their portfolio emissions. If so, banks shall transparently explain the approach taken.

For all targets, to improve comparability between banks, it is asked that banks 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.

Reference: Page 14 of the Guidelines

Q. Why do the Guidelines encourage banks to advocate for actions aligned to net-zero pathways in stakeholder engagements?

As noted in the Guidelines, banks alone cannot solve the climate crisis. They can however act as part of the broader ecosystem to support the reduction of GHG emissions using actions such as stakeholder engagement, during which they would advocate for net-zero aligned actions.

Reference: Pages 3 and 12 of the Guidelines

Scenarios

Q. Which scenarios are “aligned” with the Guidelines, and how to approach regional specificities?

In the context 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 or sectoral scenarios is appropriate, such as when regional scenarios provide greater granularity for the areas in which a bank’s clients operate. While regional or country-level scenarios may reflect a less steep decarbonization pathway for less developed countries or emerging markets than for developed economies, they shall be demonstrably aligned to a 1.5°C ambition.

Current publicly available scenarios at the time of writing (April 2024) which meet the objectives of the NZBA commitment include:

- IEA’s Net Zero Emissions by 2050 (NZE2050)
- NGFS’ Net Zero 2050 and Low Demand scenarios
- University of Technology Sydney’s One Earth Climate Model (OECM)

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 Guidelines and NZBA commitment made by the bank, then a bank may select it.

Other 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 use recent scenarios where possible.

Reference: Page 17 of the Guidelines

Q. What types of scenarios may a bank select?

In selecting “no-overshoot” or “low-overshoot” scenarios, banks shall use scenarios applying ambition levels analogous to C1 scenarios of the IPCC AR6, and not C2–C8. A C1 pathway has a 50% or higher chance of limiting warming to 1.5°C, with no or limited overshoot, plus around a 90% chance of limiting warming to 2°C. Here, “limited overshoot” means there is a 50–67% probability of temporarily exceeding 1.5°C by up to 0.1°C for no more than several decades in the central estimate. The C1 pathways meet the Paris Agreement goals.

Reference: Page 17 of the Guidelines

Q. Can banks use multiple scenarios?

Banks may use different scenarios to set their targets as long as scenarios remain aligned with a 1.5°C outcome and adhere to the requirements of the Guidelines. For example, banks may wish to use different scenarios to account for sectoral or regional considerations. This may enable a bank to benefit from the availability of the best, most relevant scientific pathway for a particular sector where a complete ‘set’ of scenarios for the whole economy does not exist at that granularity.

In all cases, banks shall disclose which scenarios their climate targets are based upon (scenario name, date, and provider). Banks should explain key assumptions used in these scenarios and should support these explanations with detailed rationales.

Reference: Page 17 of the Guidelines

Scope of financial activities

Q. What financial activities are in scope for targets?

As noted in the Guidelines, banks shall include their lending activities and capital markets arranging and underwriting activities (both equity and debt) and should include on-balance sheet investment activities in their intermediate and long-term targets, and emissions baselining.

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

Members should consider the evolving nature of methodologies and data 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. Please note these are examples only and not expectations:

- Lending activities:
 - 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
 - Residential mortgages
 - Consumer loans and personal lines of credit
 - Asset-backed financing (including commercial real estate, aviation, shipping, etc.)
 - Project financing
 - Acquisition financing
 - Loans and advances to financial institutions
- Capital market arranging and underwriting activities related to the issuance of new debt and equity instruments for both public and private companies and syndicated loans, for instruments such as:
 - Bonds
 - Loans
 - Equities
 - Convertibles

- Warrant (equity options)
- Securitization
- Project finance
- Revolving facilities
- Thematic bonds (e.g. green bonds)
- On-balance sheet investment activities:
 - 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

Due to methodological, regulatory and/or practical limitations, 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)
- On-balance sheet securities held for client facilitation and market-making purposes
- Exposures to sovereigns, supranationals, and multilateral development banks
- Brokerage activities

Reference: Page 9 of the Guidelines

Q. How does a bank set a target for capital markets activities?

Version 2 of the Guidelines introduces a new requirement related to target setting for capital market activities. Capital markets arranging and underwriting activities refer to the actions of bookrunners in the issuance of new debt and equity instruments for both public and private companies and syndicated loans.

It is at the discretion of the bank whether facilitated emissions targets are set separately to sectoral financed emissions targets or together.

In terms of target setting, the same requirements apply for capital markets activities as for lending activities.

The Alliance will produce additional non-prescriptive resources in 2024 to help members in independently and individually setting their targets for capital markets activities.

Members are encouraged to refer to external frameworks, such as PCAF, in developing their facilitated emissions baseline.

Reference: Pages 8–9 of the Guidelines

Sector selection

Q. What sub-elements of a sector should be in scope?

It is expected that banks set sectoral targets with reference to each sector's value chain. Banks should select all significant sub-sectors or parts of the value chain and shall provide a rationale for their approach. The Guidelines do not prescribe which parts of the value chain or sub-sector segments must be included as these will vary from bank to bank. Additionally, the granularity of scenarios may impact which sub-sectors or parts of the value chain are included in targets.

The NZBA is conducting sector-level work which will provide further detail on data sources, parts of the value chains, emerging practices, and methodologies to consider.

Reference: Page 10 of the Guidelines

Q. What do “significant majority” of emissions and “substantial majority” of sectors mean?

Footnote 10 in version 2 of the Guidelines clarifies that, subject to the overarching caveats on data, methodologies, significance and commercial sensitivity, members are expected to set targets in all listed priority sectors or to explain why they have not set targets in those priority sectors.

Banks may choose not to set targets for sectors where data and methodologies do not allow or where sectors are not significant (and/or where regulatory, legal, or commercial reasons apply). When banks do set targets, they shall include attributable Scope 1, 2 and 3 emissions where significant with explanations including but not limited to citation of recognized methodologies.

Cumulatively, the emissions covered by bank targets shall represent a significant majority of the bank's attributable financed and facilitated emissions across all sectors. It is expected that a bank's target coverage will increase over time.

It is expected that banks disclose their approach for determining the significance of asset classes and/or sectors, including any thresholds. In general, it is expected that banks prioritise CO₂e emissions (absolute, intensity) over financial exposures where data exists.

It is expected that targets are set for initial NZBA sectors 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.

Reference: Page 7 of the Guidelines

Q. What sector classification codes should banks use?

Banks should disclose the detail of which sectors and sub-sectors are included in their emissions profile and targets. Sectors are defined according to internationally recognised sector classification codes, such as the NACE, SIC, GICS, NAICS or ANZSIC codes. Banks should use whichever classification is relevant to their business.

Reference: Page 8 of the Guidelines

Q. How should banks include coal-related activities in their targets?

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

Reference: Page 10 of the Guidelines

Q. Does the coal threshold apply to targets or phase out policies?

The coal threshold applies to both coal targets and coal phase out policies, as these policies represent targets to phase out coal by a certain date.

Reference: Page 10 of the Guidelines

Q. What should be included in “coal” definitions?

Subject to their own independent review of accuracy of relevant classification systems to their clients and due diligence, and consistent with the 5% thermal coal revenue threshold, it is expected that NZBA banks include in the scope of their intermediate and long-term targets clients operating in NACE codes B.05 and D.35.1.1, NAICS codes 2121 and 22111, SIC codes 1220, 1221 and 4911, or GIC codes 10102050, 551010 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.

Reference: Page 10 of the Guidelines

Reporting

Q. What information should be disclosed under the Guidelines?

Banks are encouraged to refer to the NZBA Target Disclosure Checklist for a consolidated version of the disclosure requirements set in the Guidelines.

Q. When should the emissions profile and targets be disclosed? (and should they be done together?)

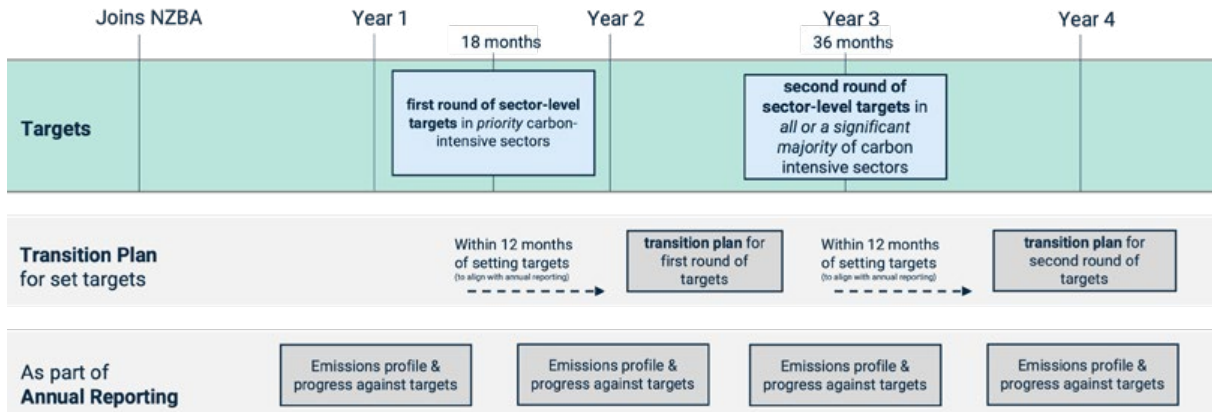
Banks shall disclose on an annual basis all three of the emissions profiles listed in the Guidelines:

- Absolute emissions: this is either the attributable absolute emissions for, at a minimum, sectors where targets have been set, or a breakout of the portfolio-wide absolute emissions by sector. If they choose, banks may also publish both aggregated portfolio-wide emissions profiles and emissions profiles broken out by sector. These metrics may be reported by financing activity (i.e. with separate metrics for lending, capital market activities and on-balance sheet investments).
- Portfolio-wide emissions intensity: this represents the attributable portfolio-wide absolute emissions divided by the corresponding portfolio's total exposure amount. These metrics may be reported by sector for specific financing activities (i.e. with separate metrics for lending, capital market activities and on-balance sheet investment).
- Sector-specific emissions intensity: this represents the attributable emissions intensity for a sector expressed with reference to a sectoral metric. NZBA Sector Work Track will identify emerging practice and useful metrics to use for high-emitting sectors prioritised under NZBA.

These metrics should be physical metrics (e.g. tCO₂e/kWh, tCO₂e/m², tCO₂e/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.

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

- Before the 36-month mark, depending on the balance sheet of the bank, targets may not yet cover a significant majority of emissions so the specified three 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 three specified metrics as provided in banks' published emissions profiles, are also expected to 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 (i.e., same coverage of value chain) and cover a significant majority of emissions. It is expected that client Scope 3 emissions will 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.

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.

In general, targets shall be set and/or disclosures should be made:

- Where data allow;
- Where methodologies (whether open-source or privately developed) exist;
- Where the sector/activity's emissions and/or financial exposures are significant;
- Where not restricted by regulatory requirements and/or commercially sensitive or proprietary information.

Q. When should the first set of targets be published? Do thresholds apply?

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.

It is expected that banks select the sectors which are most relevant to their business exposures and their carbon emissions for their intermediate targets and set targets within 36 months, assuming data and methodologies are available, where they have significant exposures.

In addition, where banks do not comply with the Guidelines' requirements, it is expected that banks provide explanations in public annual disclosures (i.e. not just through private correspondence with the NZBA Secretariat).

Reference: Page 10 of the Guidelines

Q. Do banks need to disclose the coverage of their targets?

Banks should disclose the coverage of each target as a percentage of exposure (e.g. percentage of the financed emissions of a bank's portfolio-wide emissions or a percentage of its overall financial exposure).

Reference: Page 10 of the Guidelines

Q. What transition plans should banks disclose?

Within 12 months of setting a target, 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 target and an approximate timeline. The NZBA will not provide members with requirements or guidance beyond the Guidelines for transition plans but will support members in understanding typical market approaches.

Banks are encouraged to disclose how they will evaluate their clients' transition plans, but it is at their discretion what aspects of clients' transition plans are assessed and how. The NZBA will not specify approaches or minimum inclusions.

Reference: Page 10–11 of the Guidelines

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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. It has established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges. Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding US\$100 trillion work together to facilitate the implementation of UNEP FI's Principles for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis and the initiative helps them to apply the industry frameworks and develop practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

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