UN environment programme finance initiative

net-zero banking alliance

Net-Zero Banking Alliance Disclosure Checklist

Version 2

July 2024

Legal and regulatory disclaimer

The Net-Zero Banking Alliance (NZBA) and its members are 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. On this basis, the NZBA recognises that companies cannot disclose information that is not publicly available and is considered to be competitively sensitive information by such company, and it is each member's responsibility to determine information pertaining to its organisation which is non-public and competitively sensitive. 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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Introduction to this checklist

The United Nations Environment Programme Finance Initiative (UNEP FI) updated its Guidelines for Climate Target Setting for Banks in April 2024 to reflect the evolution of the sustainable finance landscape over the last three years and reinforce the roadmap for member banks aiming to achieve net-zero emissions.

The Guidelines are designed to support Net-Zero Banking Alliance (NZBA) member banks in setting Scope 3 Category 15 emissions targets as defined by the Greenhouse Gas Protocol (GHG Protocol). While members have committed to achieving net-zero in their own operational emissions (Scopes 1, 2, and non-Category 15 Scope 3), this is beyond the scope of the Guidelines which focus only on banks' Scope 3 Category 15 emissions. These Guidelines are also to be applied by members of the Principles for Responsible Banking (PRB) that have selected climate mitigation as one of their priority impact areas and should set climate targets within four years of joining.

Please note that this document is intended to be a useful checklist summarising the key requirements in the 'Guidelines for Climate Target Setting for Banks—Version 2' (shall-statements) for informational purposes.

To align with the Guidelines and meet the commitments they have independently chosen to make and agreed to comply with, NZBA and PRB member banks are expected to address the points in the checklist on a comply-or-explain basis. They are also highly encouraged to go beyond the key requirements listed here, where permitted, and give full regard to the 'should', 'may' and 'encouraged' statements in the Guidelines.

Please refer to the full 'Guidelines for Climate Target Setting for Banks—Version 2' and 'Supporting Notes for the Guidelines for Climate Target Setting—Version 2' for more comprehensive guidance. Please also refer to the NZBA publications page for a growing body of papers which aim to support members in meeting their NZBA and PRB commitments.

Disclosure checklist

The following pages list items to be disclosed when making intermediate climate targets public in line with the Guidelines for Climate Target Setting for Banks.

Emissions baseline and annual emissions profile

Baseline	Banks **shall** establish an emissions baseline and annually measure and report the emissions profile of their lending, investment, and capital markets activities, following relevant international and national greenhouse gas (GHG) emissions reporting protocols and guidelines.
Emissions coverage	The emissions profile **shall** cover a significant majority of a bank's Scope 3 emissions, including the set list of carbon-intensive sectors (see below).
Carbon-intensive sectors	Agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport.
Emissions profile metrics	This **shall** include, where targets have been set: ▪ Absolute emissions; and ▪ Portfolio-wide emissions intensity (e.g., CO_2e/USD lent or invested); and ▪ Sector-specific emissions intensity (e.g., CO_2e/metric).
Disclosure	Each bank **shall** disclose the: ▪ Scope and boundary of the asset classes and sectors included (providing a rationale for the selection); ▪ Asset class and sector coverage of the emissions (providing a rationale for the selection); and ▪ Measurement method(s) and metric(s) used at portfolio, asset class or sector level.

Targets

NZBA signatories have 18 months from signing the Commitment to set their first round of targets. Within the following 18 months, targets for a substantial majority of carbon-intensive sectors should be established.

Timeline and ambition	Intermediate (2030 or sooner) and long-term (2050 or sooner) targets **shall** at a minimum align with a goal to limit global warming to 1.5°C above the preindustrial average by the end of the century, be science-based and support the transition towards a net-zero economy by 2050.
Target metrics	Intermediate and long-term targets **shall** be set based on: ▪ Absolute emissions; and/or ▪ Sector-specific emissions intensity (e.g., CO_2e/metric).
Base year	The target base year **shall** be no more than two full reporting years prior to the setting of the target (see Guidelines for possible exceptions).
Scenarios	Banks **shall** disclose which scenario their climate targets are based upon (scenario name, date, and provider). Scenarios: ▪ **shall** limit global warming to 1.5°C by the end of the century ▪ **shall** come from credible, well-recognised sources ▪ **shall** be no- or low-overshoot ▪ **shall** rely conservatively on negative emissions technologies ▪ **shall** have science-based assumptions on carbon sequestration achieved through nature-based solutions and land use change.
Transparency	Banks **shall** be transparent about: timeframes for targets by disclosing the base year and target years, selected scenarios, selected methodologies, intermediate targets, and milestones.

Target coverage

Emissions coverage	Targets **shall** cover a significant majority of a bank's Scope 3 financed emissions, including those from all or a substantial majority of a list of carbon-intensive sectors (see below).
Carbon-intensive sectors	Agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport.
Scope of financial activities	Targets **shall** cover lending activities and capital markets arranging and underwriting activities (both equity and debt), and **should** cover investment activities.
Inclusions	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.
Exclusions	Banks **shall** provide a rationale for the exclusion of relevant asset classes for significance, methodological or other appropriate reasons.
Coverage of clients' emissions	Banks' targets **shall** include their clients' Scope 1, Scope 2, and Scope 3 emissions, where significant and where data allows. Coverage is expected to increase as data quality and client reporting improves.
Automatic inclusion	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.
Phase out policy	If a bank sets a phase out or an exclusion policy with a target year in lieu of an emissions target, the financed emissions of the sector/activity covered by the policy, where significant, **shall** still be disclosed for each year.

Transition plans

Transition plans	Target setting **shall** be supported within 12 months of publishing the targets by the disclosure of, at a minimum, a high-level transition plan including planned actions and milestones to meet these targets.
Impact on the real economy	Targets **shall** focus on achieving an impact in the real economy.

Other considerations

Governance	Targets **shall** be approved by the highest executive level in the bank and should be part of broader organisational strategic plans. Targets shall be reviewed by the highest-level governance body in the bank that normally oversees and approves the strategic plan.
Review of targets	Targets **shall** be reviewed and, if necessary, revised at least every five years to ensure consistency with the latest science (as detailed in IPCC assessment reports).
Revision of targets	Targets **shall** be recalculated and revised as needed to reflect significant changes that might compromise the relevance and consistency of the existing targets (e.g., material portfolio changes, methodological developments).
Setting new targets	As each subsequent intermediate target year is approached, the next intermediate five-year target **shall** be set.
Assurance	Signatory banks are encouraged to obtain third-party independent limited assurance over the reporting on performance against targets, including the establishment of a baseline.
Carbon credits	Banks **shall** be diligent in applying evolving leading practices consistent with published standards or frameworks on the use of carbon credits.
Implementation timeline	NZBA signatories will apply the Guidelines, including independently setting their first round of targets within 18 months of signing the Commitment and, within a further 18 months, setting targets for all or a substantial majority of the carbon-intensive sectors.
Application of Guidelines V2	From 22 April 2024 (the effective date of application for Version 2 of the Guidelines), 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.

UN environment programme

finance initiative

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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