COALITION OF BANKS LAUNCHES GUIDE FOR INDUSTRY’S TRANSITION TO NET ZERO

- 11 banks under HRH The Prince of Wales’ Sustainable Markets Initiative 11 days before COP 26
- Industry guide detailing a practical roadmap for clients’ transition journeys
- Collaboration between banks to help reduce collective financed emissions


The FSTF Practitioner’s Guide combines the knowledge and collective experience of 11 banks. The guide is designed to support the implementation of banks’ net zero commitments and meet the growing need for specificity.

Focusing on client emissions related to bank financing, as opposed to banks’ own operational emissions, the guide will help banks deliver on the critical role they must play actively supporting clients to transition. It is written for a wide audience, from senior executives to those building and delivering a banks’ net zero strategy.

Global banks face significant opportunities and challenges when aligning their portfolios with net zero pathways, due to the diverse nature of their business, helping to meet client needs in different sectors and geographies. This guide provides a toolkit that can be used across all sectors and geographies.

His Royal Highness, The Prince of Wales, said: “Banks have a vital role to play as a catalyst and driver for change across all industries. Which is why I am delighted that the Financial Services Task Force has come together under the SMI umbrella to deliver a guide that is both practicable and action orientated, helping to put Nature, People and the Planet at the heart of our economy. I hope the leadership and spirit of collaboration they have demonstrated in creating this guide inspires other industries to work together. If we are to win the battle against climate change, we all need to play our part.”

Chair of the FSTF, Co-Chair of the FSTF Net Zero Working Group and HSBC Group Chief Executive Officer, Noel Quinn, said: “Net-zero commitments need to be turned into action. This guide sets out how the banking sector can practically help deliver a net-zero future. I would like to pay tribute to my fellow banking CEOs who collaborated on this work. Though we operate in a competitive industry, it shows what can be achieved when we work together.”

Co-Chair of the FSTF Net Zero Working Group and Barclays Group Chief Executive Officer, Jes Staley, said: “We are very pleased to join forces with other banks to create this Practitioner’s Guide, setting out some of the latest thinking and practices our industry has adopted to execute our net zero commitments. We hope other banks will find this guide useful as they work on their own net zero strategies. I want to thank all the banks on the Task Force for the collaboration they have shown in putting the guide together. It’s cooperation of this kind that will help the industry accelerate the transition to a zero carbon economy.”
The first part of the guide provides recommendations on key choices banks will face as they develop robust strategies, alongside an overview of the potential trade-offs involved and insight into the decision-making processes, highlighting areas for potential common ground across the industry. The second section explores how banks can engage with clients and policymakers to deliver financing to help accelerate the transition to a low-carbon economy, and disclose progress transparently for stakeholders.

Co-Chair of the SMI and Chairman and Chief Executive Officer of Bank of America, Brian Moynihan, said: “Through the Sustainable Markets Initiative, CEOs and companies from across different sectors are working together towards our common goal of transitioning to a low-carbon future. The practitioner’s guide provides a playbook for banks to help their clients make a just transition and achieve net zero commitments.”

Jean-Laurent Bonnafé, BNP Paribas Director and Chief Executive Officer, said: “Finance is an essential lever in accelerating energy transition. BNP Paribas, as the largest bank headquartered in the European Union, is actively involved in accompanying its clients in their transition and redirecting financial flows to low carbon projects. Working with peers is essential to make finance a force for positive change. This Net-Zero Practitioner’s Guide successfully combines existing portfolio alignment methodologies with a collaborative approach. By fostering the exchange of operational feedback and sector experts’ views, the guide strengthens the robustness of the banks’ net-zero strategies. The guide’s ambition is also to contribute to the convergence of transition efforts, metrics and methodologies, in order to maximize positive impact on the economy. Our priority is to help our clients to scale up their actions on their way to a net zero economy by 2050.”

Jane Fraser, Citi, Chief Executive Officer, said: “Getting to net zero will require all of us working together, and relentlessly with our clients, to reduce the emissions associated with our financing. This is a herculean task ahead of us and the urgency means that in many ways we are building the plane as we fly it. Having an industry roadmap with actionable guidance is invaluable and will enable us to bring our peers and clients along with us on this journey.”

Lydie Hudson, Credit Suisse Sustainability, Research & Investment Solutions, Chief Executive Officer, said: “The goal of achieving Net Zero is a shared responsibility and as an industry, we must play a leading role in supporting business and society at large to meet the challenge that lies ahead. At Credit Suisse, we’re proud to contribute our knowledge to create the Practitioner’s Guide to aid our collective move from commitment to execution in pursuit of Net Zero.”

Mary Erdoes, J.P. Morgan Asset & Wealth Management, Chief Executive Officer, said: “Business has an important role to play in addressing climate change, and JPMorgan Chase is doing its part to help get the world on a path to net zero. Through our Paris-aligned financing strategy and $2.5 trillion sustainable development target, we are helping clients transition to a lower-carbon future and supporting innovative green technologies that are critical for the creation of a more sustainable and inclusive economy.”

Charlie Nunn, Lloyds Banking Group, Group Chief Executive, said: “We are proud to have contributed to the launch of this important guide that will support the financial services sector on the path to decarbonisation, with clear and practical guidelines. We believe that with the right balance of industry collaboration on initiatives such as this, public policy support and mobilisation of capital, we can successfully transition the UK economy towards net zero and help realise our ambitions.”
Alison Rose, NatWest Group Chief Executive Officer, said: “Finance is a key enabler in the drive towards net zero emissions. Banks can only reduce our collective financed emissions if we work together on a common, science-based approach to understanding and addressing the problem, which is why we helped to develop the FSTF Practitioner’s Guide. At NatWest Group we’re working through partnerships to support our customers to reduce their emissions and transition to the net zero economy.”

Bill Winters, Standard Chartered Chief Executive Officer, said: “The FSTF Practitioner’s Guide is an invaluable resource for all banks, no matter the stage their net zero transition. Standard Chartered appreciates the close collaboration between FSTF and the Net Zero Banking Alliance, and looks forward to supporting further partnership in our role as NZBA Chair.”

Key Recommendations – Extract from the guide

The guide provides non-binding forward-looking recommendations which address key choices banks will face in looking to develop robust, methodologically sound strategies with positive climate impact, based on the varied experiences and knowledge of the FSTF banks.

1. **Defining the Scope of Emissions**
   - Banks disclose emissions metrics related to capital markets financing, where material, noting that they may develop their own methodologies or wait for industry methodology to emerge
   - Banks shape the development of industry standards to enable consistent reporting of financed (on-balance sheet) and facilitated (off-balance sheet) emissions

2. **Measuring the Baseline**
   - Banks either follow PCAF or a comparable methodology
   - If a comparable methodology is used, banks publicly disclose the methodology and assumptions employed
   - Banks collaborate across a range of stakeholders to champion emissions data disclosures across the economy

3. **Selecting Future Emissions Scenarios**
   - Banks choose science-aligned net zero scenarios that limit warming to 1.5°C with no- or low-overshoot and are appropriate for their sector and geography mix. If a 1.5°C scenario is not selected, banks should disclose the rationale
   - Banks support the further development of publicly available, credible 1.5°C scenarios with no- or low-overshoot that contain required sector and geography disaggregation. They should review their targets as these become available

4. **Measuring Portfolio Alignment**
   - Banks use or develop methods and tools that are suitable to their specific circumstances in order to deliver meaningful outcomes
   - Banks provide rationales for their chosen methods and tools, and transparent information about the metrics, methodologies, assumptions and data sources used in them

5. **Setting Targets to Reduce Financed Emissions**
   - Banks closely evaluate the use of both absolute emissions and emissions intensity targets for the fossil fuels sector as data, methodology, science and client business model transitions evolve
Whether setting absolute emissions or emissions intensity targets, banks should set targets that are consistent with the absolute emissions reductions implied by science-based pathways.

6. **How and Where to Use Carbon Offsets**
   - Banks help to catalyse and accelerate carbon markets, such that finance flows to valid emissions reduction and removals opportunities.
   - Supporting efforts of bodies such as the SBTi, Voluntary Carbon Markets Integrity Initiative (VCMI), and the Taskforce on Scaling Voluntary Carbon Markets (TSVCM) to assess potential roles for offsets or develop principles for their use and recognition.
   - Separate accounting of offsets from financed emissions to provide transparency.
   - When measuring financed emissions, banks should not account for credits they have bought. They may choose to buy credits to accelerate the global net zero transition, but these should be disclosed separately.

7. **Disclosing Progress**
   - Banks follow Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations as they increasingly include net zero reporting in annual reports.
   - Banks work with standard setting bodies to determine which disclosures will go in the annual report versus supplementary documents or websites.

**ENDS**

Notes to editors:

1. His Royal Highness The Prince of Wales’ Sustainable Markets Initiative (SMI) is a strategic partner and supporter of the initiative, which is a priority workstream within its Financial Services Task Force (FSTF).

2. This guide assembles current practices from members of the FSTF in various areas into a single accessible document. It is the result of discussions between the 11 banks in the Financial Services Task Force (FSTF) and builds upon the Net-zero Banking Alliance commitment, an initiative co-launched by the FSTF.

The guide is an evolving document with future versions to incorporate emerging guidance.

The Financial Services Task Force is chaired by Noel Quinn, Group Chief Executive of HSBC. Its members are drawn from across the banking industry, and include in alphabetical order:

- Bank of America
- Barclays Plc
- BNP Paribas
- Citi
- Coutts
- Credit Suisse
- HSBC
- JPMorgan Chase
- Lloyds Banking Group
- Macquarie Group
- NatWest Group
About the Sustainable Markets Initiative

His Royal Highness, The Prince of Wales, launched the Sustainable Markets Initiative (SMI) alongside a 10-point action plan at Davos in January 2020. The SMI is a network of global CEOs working together to build prosperous and sustainable economies that generate long-term value through the balanced integration of natural, social, human and financial capital.

The SMI facilitates the development of responsible transition pathways at industry and business levels to decarbonize and achieve net-zero, create a Nature-positive future and support a trust transition towards a sustainable future.

Read more: www.sustainable-markets.org

About the Terra Carta

Launched by His Royal Highness at the One Planet Summit in January 2021, the Terra Carta provides a practical roadmap for acceleration towards an ambitious and sustainable future; one that will harness the power of Nature combined with the transformative power, innovation and resources of the private sector. The Terra Carta serves as the mandate for the Sustainable Markets Initiative. Currently there are over 300 CEO-level supporter supporters, including the first C40 city of Athens, Greece.

HRH is appealing to public, private and philanthropic leaders around the world to join this endeavour as part of the ‘Coalition of the Willing’.

Read more: www.sustainable-markets.org/terra-carta

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