

# Banking tool: 2025 consultation report

December 2025



## The TPI Global Climate Transition Centre at LSE

The TPI Global Climate Transition Centre (TPI Centre) is an independent, authoritative source of research and data on the progress of corporate and sovereign entities in transitioning to a low-carbon economy. It is part of the Global School of Sustainability at the London School of Economics and Political Science (LSE). The TPI Centre is the academic partner of the Transition Pathway Initiative (TPI), a global initiative led by asset owners and supported by asset managers, aimed at helping investors and other stakeholders assess company, bank and sovereign preparedness for the transition to a low-carbon economy and supporting efforts to address climate change. More than 155 investors globally, representing approximately US\$87 trillion<sup>1</sup> combined Assets Under Management and Advice, have pledged support for TPI.

The TPI Centre provides data on publicly listed equities, corporate bond issuers, banks and sovereign bond issuers. The TPI Centre's company data:

- Assess the quality of companies' governance and management of their carbon emissions and of risks and opportunities related to the low-carbon transition
- Evaluate whether companies' current and planned future emissions are aligned with international climate targets and national climate pledges, including those made as part of the Paris Agreement
- Form the basis for the Climate Action 100+ Net Zero Company Benchmark Disclosure Framework assessments
- Are published alongside the methods online. They are public and free to use for non-commercial purposes and available at [www.transitionpathwayinitiative.org](http://www.transitionpathwayinitiative.org).

## Report authors

This report was written by Algirdas Brochard, Nelson Diaz Puerto, Ákos Hajagos-Tóth and Valentin Jahn. All were staff at the TPI Centre at the time of writing.

The views in this report are those of the authors and do not necessarily represent those of the host institution or funders. The authors declare no conflict of interest in preparing this report.

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<sup>1</sup> This figure is subject to market-price and foreign-exchange fluctuations and, as the sum of self-reported data by TPI supporters, may double-count some assets.

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# 1. Introduction

This document describes the purpose, background and content of an [online consultation survey](#) launched on 4 December 2025 and open until 31 January 2026 to seek stakeholders' feedback on potential changes to the banking tool. It is designed to assist respondents to complete the [online survey](#).

The banking project at the TPI Centre uses the Net Zero Banking Assessment Framework (NZBAF) and the Carbon Performance for Banks (CP for Banks) to assess banks' progress towards a low-carbon economy. To ensure the project continues to meet investor needs, we have reviewed the framework two years after its launch and identified a set of updates that we believe will enhance the framework. We are now launching a consultation to understand how investors currently use the NZBAF ([Section 2](#)), to gather their feedback on the online page where we display our assessment results, the banking tool ([Section 3](#)) and to consult on the proposed changes to the NZBAF ([Section 4](#)). We also seek feedback on the CP for Banks in a dedicated part of [Section 2 of the report](#).

## Background and purpose of the Net Zero Banking Assessment Framework

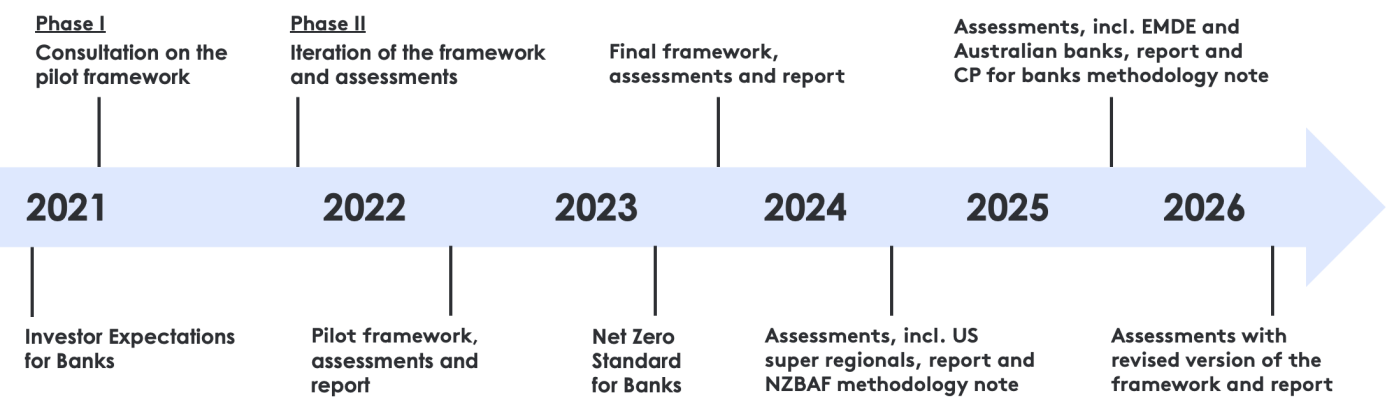
The NZBAF is a granular framework that evaluates banks' overall performance in managing the transition to a low-carbon economy. In 2021, the Institutional Investors Group on Climate Change (IIGCC) launched its 'banks working group' following the publication of a set of investor expectations. The TPI Centre translated these expectations, with further input from investors, into the NZBAF, first published in June 2023. Additionally, the IIGCC, in consultation with the TPI Centre, updated the original investor expectations, turning them into a Net Zero Standard for Banks published in May 2023. Based on this Standard, Ceres, a nonprofit advocacy organisation that supports a North American investor network focused on sustainability, published its own version, the Net Zero Standard for North American Banks, in August 2023.

In December 2024, the TPI Centre published version 1.0 of the [methodology note](#), which provided detailed guidance on how the TPI Centre assessed each sub-indicator of the NZBAF. The TPI Centre published [an update to the NZBAF](#) in May 2025 and [version 1.1 of the methodology note for the NZBAF](#) in December 2025. Alongside publishing the assessment of banks against the NZBAF on its website, the TPI Centre also publishes an annual report on the State of the Banking Transition.<sup>2</sup>

To ensure the framework stays relevant and decision-useful, we are seeking feedback on the NZBAF and the banking tool. We invite investors, banks and other stakeholders to complete the consultation survey online and comment on the proposed changes. The [consultation survey](#) will remain open until 31 January 2026.

<sup>2</sup> Commarmond S, Diaz N, Dietz S, Hastreiter N, Jouavel C, Nuzzo C and Scheer A (2023) [Banks and the net zero transition](#). London: Transition Pathway Initiative Centre, London School of Economics and Political Science; Jahn V, Brochard A, Diaz N, Hajagos-Tóth Á and Dietz S (2024) [State of transition in the banking sector](#). London: Transition Pathway Initiative Centre, London School of Economics and Political Science; Brochard A, Diaz Puerto N, Hajagos-Tóth Á, Jahn V and Dietz S (2025) [State of the Banking Transition 2025](#). London: TPI Global Climate Transition Centre, London School of Economics and Political Science.

Figure 1.1. Evolution of the Net Zero Banking Assessment Framework



# 2. How can the NZBAF best continue to meet investor needs

This section aims to understand in which areas investor needs have evolved and how the NZBAF could be improved to reflect this evolution. It provides a summary of the current state of the framework and the banking tool. This summary is followed by consultation questions. Since its launch, the NZBAF has been used by investors for various purposes. Understanding shifts in investor priorities and in investor-bank dialogue will help enhance the relevance of NZBAF data for investor decision-making.

## Net Zero Banking Assessment Framework (NZBAF)

The NZBAF has 77 sub-indicators across 10 areas. These 10 areas are modular units of analysis that together provide a holistic understanding of a bank’s progress towards net zero (see Table 2.1).

Table 2.1. Overview of the Net Zero Banking Assessment Framework

| The 10 assessment areas              |                                             |
|--------------------------------------|---------------------------------------------|
| 1. Net zero commitments              | 6. Climate solutions                        |
| 2. Sectoral targets                  | 7. Climate policy engagement                |
| 3. Exposure and emissions disclosure | 8. Climate governance                       |
| 4. Historical emissions performance  | 9. Just transition                          |
| 5. Decarbonisation strategy          | 10. Annual reporting, accounting and audits |

Banks typically first acknowledge the need to meet international climate goals by committing to reach net-zero greenhouse gas (GHG) emissions by 2050. Area 1 of the NZBAF thus assesses banks’ net zero commitment.

To understand their carbon footprints and exposure to transition risk, banks need to establish a robust GHG accounting baseline. Having quantified their current GHG emissions, banks can set quantified decarbonisation targets. These targets should outline a comprehensive decarbonisation pathway from the present day to 2050 and reflect the different decarbonisation challenges faced by different real-economy sectors. The NZBAF therefore evaluates banks’ emissions disclosures and sectoral target-setting approaches in Areas 2 and 3.

To meet targets, banks need to outline how they plan to meet them, i.e. they need a transition plan. Credible decarbonisation strategies involve specific policies concerning fossil fuels or high-emitting clients, clearly outlined decarbonisation levers and clear ownership of climate-related matters. Areas 5–10 of the NZBAF thus focus on evaluating the credibility of banks’ transition plans.

Table 2.2 outlines the structure of the NZBAF, in order of granularity. To learn more about the assessment criteria of each sub-indicator of the NZBAF, please refer to [version 1.1 of the methodology note](#).

**Table 2.2. Structure of the Net Zero Banking Assessment Framework**

| Area                                                                               | Sub-area                                                                                                      | Indicator                                                                                                                                                               | Sub-indicator                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Thematic categories of the NZBAF (e.g. Area 5 focuses on decarbonisation strategy) | Division of an area into sub-areas (e.g. Sub-area 5.2 focuses on capital allocation to misaligned activities) | Division of an area or sub-area into a set of indicators assessing a common topic (e.g. Indicator 5.2.1 assesses exclusion policies relating to fossil-fuel activities) | Specific question against which banks are scored "Yes" or "No" (e.g. Sub-indicator 5.2.1.a asks if the bank has committed to immediately cease all on- and off-balance sheet activities that finance new coal capacity mining and power]) |

The TPI Centre's banking assessments are guided by the key design principles of transparency, accountability and robustness, which are essential for ensuring the credibility of the assessment process. The assessment principles are:

1. Assessments must be based solely on publicly available bank disclosures.
2. Indicators are assessable objectively, ensuring comparability.
3. The assessment framework is relevant for all types of banks.
4. The framework aligns with existing initiatives where possible.
5. Indicators apply to the bank as an aggregated entity.
6. Indicators are clear, useful and accessible to investors.

### Consultation questions part A

#### A.1. How familiar are you with the Net Zero Banking Assessment Framework (NZBAF) results? *(Select one and provide comments if any)*

- ☐ Very familiar – I have looked at the bank-level data on the website/I have downloaded the data
- ☐ Somewhat familiar – I have read the State of the Banking Transition report or attended a webinar where the results of the 2025 assessment cycle were presented
- ☐ Not very familiar – I have heard about the NZBAF, but have not looked at the assessment results
- ☐ Not familiar – I had not heard of the NZBAF before this consultation

Additional comments: \_\_\_\_\_

#### A.2. How familiar are you with the Net Zero Banking Assessment Framework (NZBAF) methodology? *(Select one and provide comments if any)*

- ☐ Very familiar – I have read the NZBAF's methodology in detail
- ☐ Somewhat familiar – I have looked at the NZBAF's methodology note for the sub-indicators that I was interested in
- ☐ Not very familiar – I have heard about the NZBAF's methodology note, but I have not looked at it
- ☐ Not familiar – I had not heard of the NZBAF's methodology note before this consultation

Additional comments: \_\_\_\_\_

#### A.3. Overall, do you think the current NZBAF framework addresses investor needs? *(Select one and provide comments if any)*

- ☐ Yes, fully – it remains highly relevant and decision-useful
- ☐ Mostly – a majority of the framework is relevant, but parts of the framework need to be updated to remain decision-useful
- ☐ Not at all – the NZBAF needs substantial revision to stay relevant
- ☐ Unsure / Not enough experience to say
- ☐ Not applicable

If you answered "Mostly" or "Not at all", which areas do you think need improvements?  
(please specify) \_\_\_\_\_

**A.4. How do you currently use the NZBAF data or reports in your investment decision-making process? *(Select all that apply and provide comments if any)***

**Benchmarking & Analysis**

- ☐ To benchmark banks' climate commitments and targets
- ☐ To identify leaders and laggards in the banking sector
- ☐ To compare banks across regions or business models

**Risk & Portfolio Management**

- ☐ To assess transition-risk exposure in portfolios
- ☐ To integrate into internal ESG, credit, or risk-rating models
- ☐ To guide capital-allocation or divestment decisions
- ☐ To support climate scenario analysis or stress testing
- ☐ To meet reporting/disclosure requirements (e.g. TCFD, IFRS, SFDR, client reporting)

**Stewardship & Engagement**

- ☐ To inform company engagement and stewardship activities with banks
- ☐ To support proxy voting or shareholder resolutions

**Other Uses**

- ☐ Other (please specify): \_\_\_\_\_
- ☐ I do not currently use the data

**A.5. Which NZBAF areas are most relevant to you? *(Rank areas)***

- ☐ Area 1 — Net zero commitments
- ☐ Area 2 — Sectoral targets
- ☐ Area 3 — Exposure and emissions disclosures
- ☐ Area 5 — Decarbonisation strategy
- ☐ Area 6 — Climate solutions
- ☐ Area 7 — Climate policy engagement
- ☐ Area 8 — Climate governance
- ☐ Area 9 — Just transition
- ☐ Area 10 — Annual reporting, accounting and audits
- ☐ I do not currently use the data

**A.6. Which specific NZBAF sub-indicators have you found most useful and why? *(Open-ended)***

**A.7. Do you think the NZBAF: *(Select one and provide comments if any)***

- ☐ Provides the right amount of detail on banks' transition to a low-carbon economy
- ☐ Is too detailed, a shorter framework would be easier to interpret and use
- ☐ Is not detailed enough; the framework needs to be more granular to capture banks' decarbonisation strategies

Additional comments: \_\_\_\_\_

**A.8. If the TPI Centre were to develop a reduced version of the NZBAF, which indicators from the existing framework should be included? *(Rate existing indicators)***

**A.9. Do you have any additional comments on the current version of the NZBAF? *(Open-ended)***

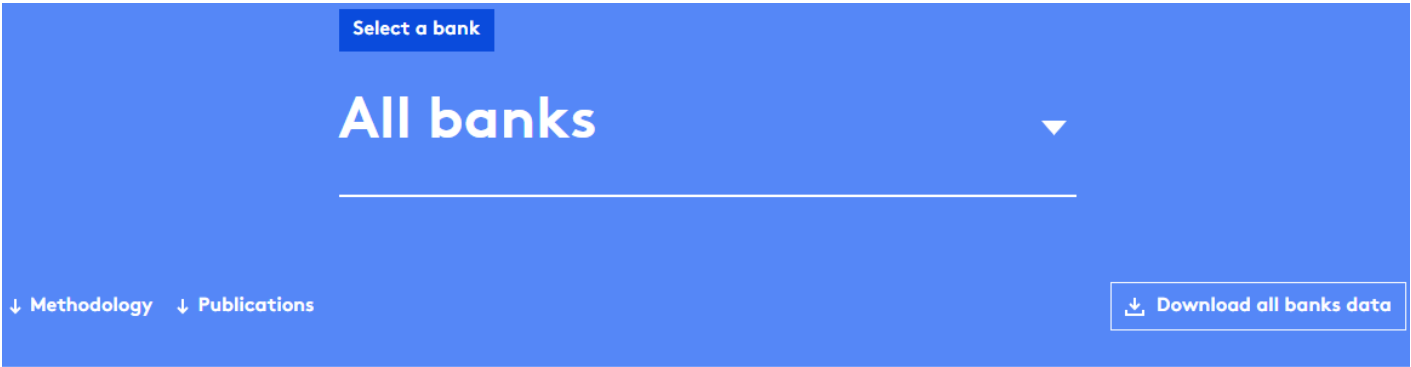
# 3. The Banking tool

This section focuses on the banking tool, a page on the TPI Centre’s website providing a transparent and comparable snapshot of bank performance. Our aim is to understand whether the current structure and functions of the banking tool enable users to easily access the results of our assessments of the Net Zero Banking Assessment Framework (NZBAF) and Carbon Performance (CP) for Banks.

## Net Zero Banking Assessment Framework (NZBAF)

The Banking tool enables users to research bank performance across the 10 areas of the NZBAF and download assessments for all the banks that we cover. We would appreciate feedback on features that could be integrated into the tool to match user needs. This feedback can cover what is shown on the landing page (see Figure 3.1) or on a bank-specific page (see Figure 3.2).

Figure 3.1. Landing page of the banking tool



### Average bank score across each area

Assessment Date: 18 July 2025 ▼

Assessed banks alignment across the ten areas (% of sub-indicators aligned with)

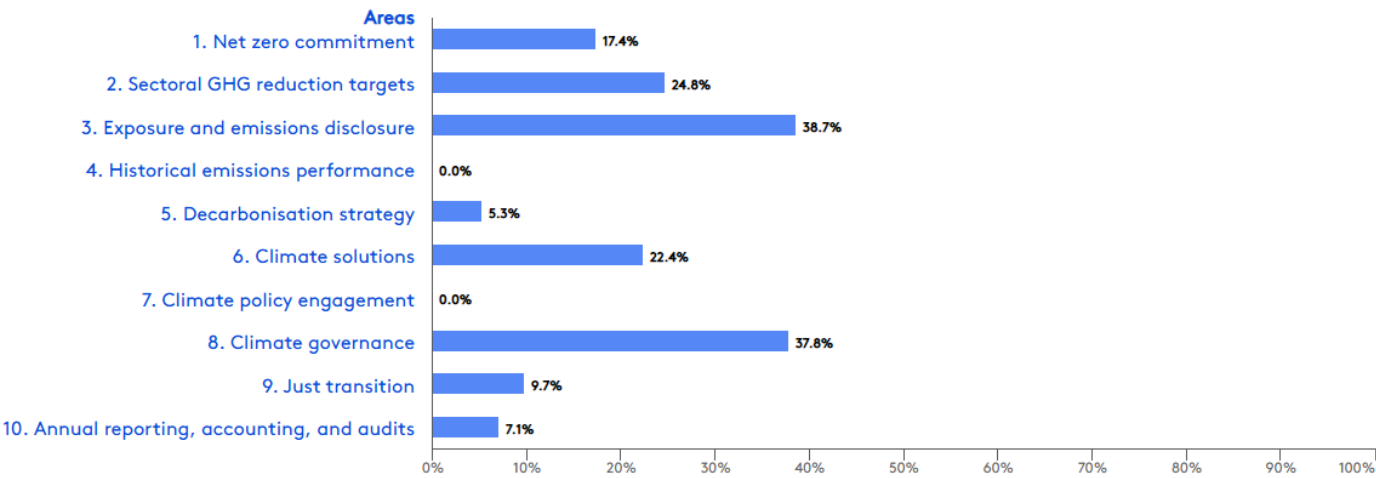
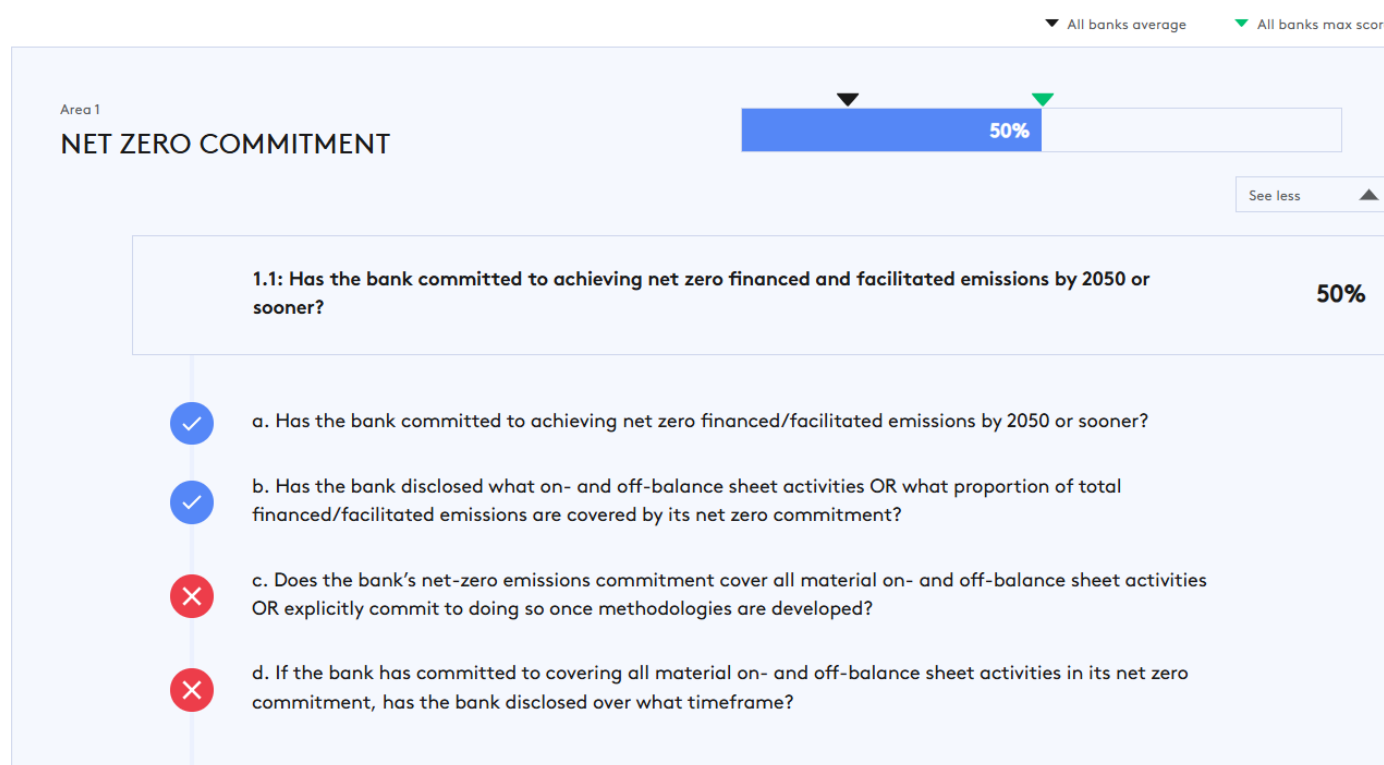


Figure 3.2. NZBAF scoring by sub-indicator (illustrative for Area 1)



## Consultation questions part B

**B.1. Do the current structure and functions of the banking tool help you access the information you need easily? (Select one)**

- ☐ Yes, the structure and functions provide useful information and are engaging
  - ☐ Mostly, the tool is useful but could be more interactive or intuitive
  - ☐ Partly, it provides relevant information, but further data points would be useful for engagement
  - ☐ Not really, the structure limits usability and user engagement
  - ☐ Unsure/I have limited experience using the tool
- Additional comments: \_\_\_\_\_

**B.2. What other information or functions would make the tool more intuitive and impactful? (Open-ended)**

**B.3. How suitable is the current format of the downloadable data of the banking tool for your analysis or reporting needs? (Select one)**

- ☐ Very suitable — it is easy to use and integrates well with my analysis tools
- ☐ Somewhat unsuitable — the structure or format limits how I can use the data
- ☐ Not suitable — it is difficult to extract or work with in its current form
- ☐ I have not downloaded or used the data

**B.4. Which data formats would you prefer for downloading and analysis? (Select all that apply)**

- ☐ Excel (.xlsx)
- ☐ CSV (comma-separated values)
- ☐ JSON (for API or data integration)
- ☐ PDF summary reports by bank
- ☐ Other (please specify): \_\_\_\_\_

**B.5. What changes to the format of the downloadable data would make it more useful for you? (Open-ended)**

**B.6. Do you have any additional comments on how the NZBAF is displayed on the banking tool? (Open-ended)**

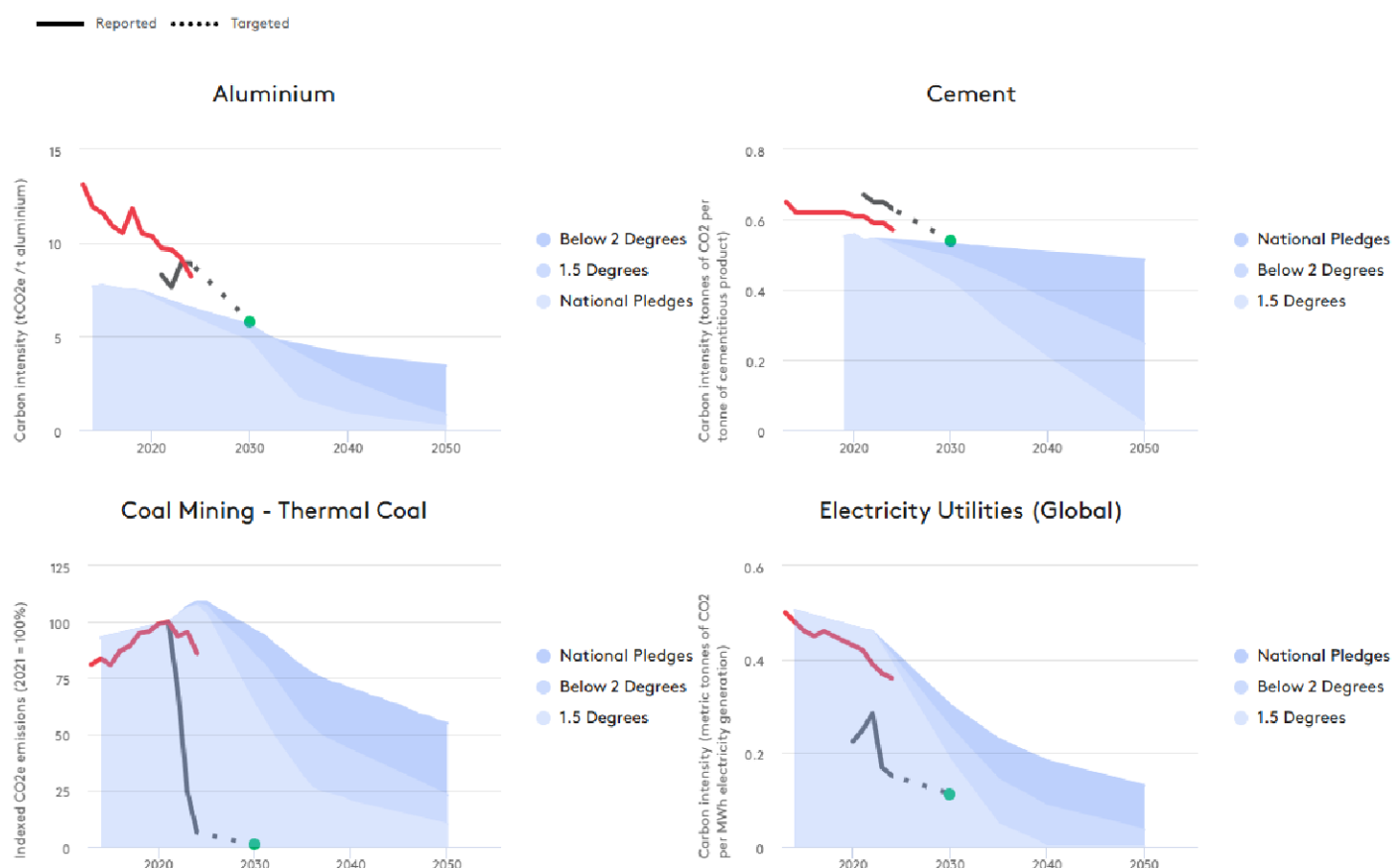
The [Banking tool](#) also includes graphs comparing the banks' sectoral decarbonisation pathways with sectoral benchmarks developed by the TPI Centre, when methodologies are comparable (see Figure 3.4).

Figure 3.3. Carbon Performance Alignment Matrix (illustrative)

| <div>1.5°C</div> <div>Below 2°C</div> <div>National pledges</div> <div>Not aligned</div> <div>Not assessable using TPI's methodology</div> <div>No or unsuitable disclosures</div> |                     |                       |                                            |                     |                                        |                      |                            |                              |                                   |                     |                                       |                                               |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|--------------------------------------------|---------------------|----------------------------------------|----------------------|----------------------------|------------------------------|-----------------------------------|---------------------|---------------------------------------|-----------------------------------------------|-----------|
| Short-term alignment                                                                                                                                                               |                     | Medium-term alignment |                                            | Long-term alignment |                                        |                      |                            |                              |                                   |                     |                                       |                                               |           |
| Business segment                                                                                                                                                                   | Consumer lending    |                       | Corporate and commercial banking           |                     | Investment banking and capital markets |                      |                            |                              |                                   |                     | Asset & Wealth m'gmt                  | Insurance                                     |           |
| Activities                                                                                                                                                                         | Auto loans (retail) | Mortgages (retail)    | General purpose finance & business lending | Project finance     | Private debt & equity                  | Listed debt & equity | Debt & equity facilitation | Advisory services (e.g. M&A) | Derivatives & structured products | Treasury & payments | Sales & trading (incl. market making) | Asset & Wealth m'gmt. (incl. private banking) | Insurance |
| Aluminium                                                                                                                                                                          | -                   | -                     | 🟢                                          | 🟢                   | -                                      | -                    | 🟢                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Airlines                                                                                                                                                                           | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Autos                                                                                                                                                                              | -                   | -                     | ⬜                                          | ⬜                   | -                                      | -                    | ⬜                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Cement                                                                                                                                                                             | -                   | -                     | 🟡                                          | 🟡                   | -                                      | -                    | 🟡                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Chemicals                                                                                                                                                                          | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Coal mining (metallurgical)                                                                                                                                                        | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Coal mining (thermal)                                                                                                                                                              | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Diversified mining                                                                                                                                                                 | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Electricity utilities (global)                                                                                                                                                     | -                   | -                     | 🟢                                          | 🟢                   | -                                      | -                    | 🟢                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Electricity utilities (regional)                                                                                                                                                   | -                   | -                     | 🟡                                          | 🟡                   | -                                      | -                    | 🟡                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Food                                                                                                                                                                               | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Oil & gas                                                                                                                                                                          | -                   | -                     | 🔴                                          | 🔴                   | -                                      | -                    | 🔴                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Paper                                                                                                                                                                              | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Real estate                                                                                                                                                                        | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Shipping                                                                                                                                                                           | -                   | -                     | -                                          | -                   | -                                      | -                    | -                          | -                            | -                                 | -                   | -                                     | -                                             | -         |
| Steel                                                                                                                                                                              | -                   | -                     | 🟢                                          | 🟢                   | -                                      | -                    | 🟢                          | -                            | -                                 | -                   | -                                     | -                                             | -         |

1. Market-making for securities and client assets
2. Asset management, including for private banking and across all asset classes

**Figure 3.4. Graphs comparing the banks' sectoral decarbonisation pathways with the TPI Centre's sectoral benchmarks (illustrative)**



## Consultation questions part C

**C.1. How clear and understandable do you find the Carbon Performance Alignment Matrix? *(Select one)***

- ☐ Very clear – I understand what the axes, points and values represent
- ☐ Mostly clear – some additional guidance would be useful
- ☐ Somewhat unclear – I struggle to interpret some of the data points
- ☐ Not clear – I find the matrix confusing or hard to use
- ☐ I have not used the matrix

**C.2. Do you have any additional comments on how the Carbon Performance for Banks assessments are displayed on the banking tool? *(Open-ended)***

## 4. NZBAF: Proposed changes by area and sub-indicator

This section outlines our view of the challenges in the current iteration of the NZBAF and presents proposed solutions informed by new insights from the recently concluded 2025 assessment cycle, as well as feedback from investors and banks. The scope of the proposed changes is largely limited to refining or removing current sub-indicators to ensure the framework remains practical, not overly complex nor burdensome to assess, and decision-useful.

All references to areas, indicators and sub-indicators relate to the current framework structure (version 1.1). While the proposed changes may entail a renumbering of existing areas, indicators and sub-indicators, the TPI Centre will work to ensure comparability across assessment cycles. Over the coming years, we plan to further streamline the framework to enable assessments of a larger sample of banks.

### Area 1. Net zero commitment

Table 4.1. Sub-indicator 1.1.d

| Sub-indicator                                                                                                                                                                       | Original purpose                                                                                                                                                                                                                                                                                           | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Proposed solution: Remove                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>1.1.d If the bank has committed to covering all material on- and off-balance sheet activities in its net zero commitment, has the bank disclosed over what timeframe?</i></b> | Assessing whether a bank commits to expanding its net zero commitment to all material activities over a clear timeline. This sub-indicator builds on 1.1.c, <sup>3</sup> which assesses whether a bank seeks to expand its net zero commitment to cover all material on- and off-balance sheet activities. | While a substantial number of banks' business activities are now covered by publicly available emissions accounting methodologies, many more remain. New methodologies are in development to fill this gap, including by individual banks themselves, but their development timelines and content (incl. data demands) are inherently uncertain. As a result, we believe a sub-indicator assessing whether banks are committing to a specific timeline, in addition to committing to cover all material on- and off-balance sheet activities with a net zero target (as measured in 1.1.c), is of limited value. | <p>We propose removing sub-indicator 1.1.d from the framework. Although banks should consider development timelines, we believe this indicator currently provides little additionality.</p> <p>Sub-indicator 1.1.c already assesses whether a bank has a commitment to expand the scope of business activities covered by its net zero commitment once relevant methodologies are developed.</p> <p>1.1.d differs from 1.1.c only in that a specific timeline to expand this commitment must be specified.</p> |

<sup>3</sup> Sub-indicator 1.1.c: *Does the bank's net zero emissions commitment cover all material on- and off-balance sheet activities OR explicitly commit to doing so once methodologies are developed?*

## Area 2. Sectoral GHG reduction targets

Table 4.2. Sub-indicators 2.2.b and 2.2.d

| Sub-indicator                                                                                                                                                                          | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                         | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Proposed solution: Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <b>2.2.b</b> <i>Has the bank disclosed the materiality test that informed the on- and off-balance sheet activities and high-emission sectors included in the scope of its targets?</i> | Assessing whether a bank discloses the basis (data, methodology and criteria) on which it identified the high-emission sectors and business activities included in its sectoral decarbonisation targets. The intention is to allow investors to evaluate whether targets apply to the most emissions-intensive and financially significant parts of the bank's portfolio.                                                | <p>1. To quantify materiality, banks typically report the emissions contribution of individual sectors within select business activities (usually following Partnership for Carbon Accounting Financials [PCAF]) or similar accounting methodologies), or the financial exposure to high-emission sectors (as identified by UNEP FI, for example).<sup>4</sup> This disclosure, however, is the outcome of a materiality assessment rather than the underlying methodology and criteria used in the materiality assessment.</p> <p>2. To report on the materiality of individual high-emission sectors, banks usually disclose either their emissions or financial exposure. Banks can currently score on this sub-indicator if they disclose either metric, but these two concepts are distinct (i.e. a large financial exposure may not translate to a large emissions exposure and vice versa).</p> | <p>To address the first challenge and focus on the sub-indicator's purpose of evaluating "whether targets apply to the most emissions-intensive and financially significant parts of the bank's portfolio", we aim to update sub-indicator 2.2.b so that it focuses on the disclosure of materiality assessment outcomes. This change will make sub-indicator 2.2.b more aligned with investor expectations and bank reporting practices.</p> <p>We also propose that sub-indicator 2.2.b focuses on the disclosure of materiality assessments for at least one material business activity. This change will make sub-indicator 2.2.b complementary to 2.2.d, which captures the materiality disclosures across all of the bank's business activities.</p> <p>Regarding the second challenge identified, question C.3 of the consultation survey seeks to gather feedback on which materiality metrics are most useful for investors.</p> |
| <b>2.2.d</b> <i>Has the bank disclosed the proportion (%) of financed and facilitated emissions covered by its sectoral targets?</i>                                                   | Assessing whether a bank discloses the proportion of group-wide financed and facilitated emissions covered by its sectoral decarbonisation targets. The purpose of the sub-indicator is to assess whether a bank has set targets for the most emissions-intensive parts of its portfolios across business activities and evaluate the overall scope of the bank's operation that is under climate transition management. | To score on 2.2.d, banks must disclose emissions coverage. To score on sub-indicator 2.2.b, which assesses a similar topic, the coverage of banks' sectoral targets, banks can disclose either emissions or financial exposure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | The changes proposed for 2.2.b (outlined in the row above) would make sub-indicator 2.2.b complementary to 2.2.d. Question C.4 of the consultation survey seeks to gather feedback on whether there would also be value in aligning the metrics used to assess both sub-indicators (either financial or emissions exposure, or potentially both).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

<sup>4</sup> United Nations Environment Programme Finance Initiative [UNEP FI] (2025) [Guidance for Climate Target Setting for Banks, Version 4](#).

Table 4.3. Sub-indicator 2.2.c

| Sub-indicator                                                                                                 | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Challenges identified                                                                                                                                                                           | Proposed solution: Remove                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2.2.c Has the bank disclosed the proportion (%) of bank-wide revenues covered by its sectoral targets?</b> | Assessing whether a bank discloses how much of its overall operation is covered by its sectoral decarbonisation targets. The purpose of the sub-indicator is to assess the share of a bank's operations across business activities that are currently in scope for sectoral decarbonisation targets. As banks have diverse business models, which involve a range of on- and off-balance sheet activities, we use the revenue metric to assess this sub-indicator. | Banks typically treat the disclosure of detailed revenues across sectors and business activities, currently necessary to meet this sub-indicator, as highly commercially sensitive information. | <p>We propose removing this sub-indicator from the framework for two reasons:</p> <p>Firstly, it relies on the disclosure of what banks appear to consider highly commercially sensitive information.</p> <p>Secondly, we capture similar information under sub-indicator 2.2.d<sup>8</sup>, which assesses the share of a bank's activity covered by its decarbonisation target.</p> |

Table 4.4. Sub-indicator 2.2.e

| Sub-indicator                                                                                                                                                                                              | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposed solution: Remove                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2.2.e Has the bank disclosed a commitment to cover all material on- and off-balance sheet activities and high-emission sectors once externally recognised methodologies (e.g., PCAF) are developed?</b> | <p>Assessing whether a bank plans to set sectoral decarbonisation targets for all its high-emission activities (all high-emission sectors across all the bank's on- and off-balance sheet business activities).</p> <p>Currently, publicly available emissions accounting methodologies only cover certain banking business activities. Although this does not preclude banks from developing their own methodologies for the remaining business activities, this is why sub-indicator 2.2.e assesses whether banks have a commitment to expand both the business activity and sectoral scope of their sectoral decarbonisation targets, once relevant methodologies are developed.</p> | <p>We believe that the additionality of this sub-indicator is limited. The intent of this sub-indicator is already met by other sub-indicators in the framework and by the Carbon Performance for Banks tool.</p> <p>More specifically, sub-indicator 1.1.c<sup>7</sup> assesses whether a bank has a commitment to expand the scope of business activities covered by its net zero commitment to all the bank's material activities once relevant methodologies are developed.</p> <p>In addition, the Carbon Performance for Banks tool provides an overview of the progress banks are making towards full target coverage. It captures which material business activities are covered by sectoral targets in the Carbon Performance Alignment Matrix.</p> | We propose removing this sub-indicator from the framework due to limited additionality, as its original purpose is covered by Area 1 of the NZBAF and the Carbon Performance for Banks tool. |

## Area 3. Exposure and emissions disclosure

Table 4.5. Sub-indicator 3.1.e

| Sub-indicator                                                                                                                                                                       | Original purpose                                                                                                                                                                                                                                                                                                                                                                                | Challenges identified                                                                                                                                                                           | Proposed solution: Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3.1.b Has the bank disclosed the amount (\$m) AND share (%) of its revenue exposure to all high-emission sectors covering all material on- and off-balance sheet activities?</b> | Assessing the proportion of a bank's group-wide operations exposed to high-emission sectors. The purpose of the sub-indicator is to assess a bank's total operations exposed to climate-related transition risks. The sub-indicator currently relies on revenue disclosures in order to have a flexible metric that can be applied to various types of banks and their diverse business models. | Banks typically treat the disclosure of detailed revenues across sectors and business activities, currently necessary to meet this sub-indicator, as highly commercially sensitive information. | <p>We propose updating this sub-indicator to use financial exposure to high-emission sectors instead of revenue figures (in monetary terms) across all material on- and off-balance sheet business activities.</p> <p>This new design follows a two-stage approach, with sub-indicator 3.1.a (unchanged) focused on assessing whether a bank discloses the proportion of its <u>credit</u> exposure to all material high-emission sectors.<sup>5</sup> The updated sub-indicator 3.1.b would also use financial exposure, but <u>across all material on- and off-balance sheet activities</u>. While most banks' primary operation is lending (evaluated by 3.1.a), banks may also be materially active in other business activities such as capital markets, advisory and asset management (evaluated by 3.1.b).</p> |

<sup>5</sup> Sub-indicator 3.1.a: *Has the bank disclosed the amount (\$m) AND share (%) of its credit exposure to all high-emission sectors?*

Table 4.6. Sub-indicator 3.5.b

| Sub-indicator                                                                                                                  | Original purpose                                                                                                                                                                                                                                                                                                                                                            | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Proposed solution: Remove                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>3.5.b Has the bank excluded client-purchased offsets towards meeting its financed/facilitated emissions targets?</i></b> | Assessing whether a bank excludes client-purchased offsets from meeting its sectoral decarbonisation targets. Disclosing this information enables investors to see how much of the bank's targeted emissions reduction is attributable to offsetting rather than to reductions in gross financed emissions achieved through changes in clients' underlying business models. | <p>Sub-indicator 3.5.a<sup>6</sup> assesses whether a bank discloses the contribution of client-purchased offsets in its financed/facilitated emissions disclosures.</p> <p>If a bank includes these offsets in the accounting of its financed/facilitated emissions, it has to quantitatively disclose the contribution of these offsets to score on sub-indicator 3.5.a.</p> <p>If a bank states publicly that client offsets are not included in its accounting of financed and facilitated emissions, it receives a "Not Applicable" score.</p> <p>The sample of banks receiving a "Not Applicable" score in 3.5.a has a significant overlap with banks scoring positively on sub-indicator 3.5.b. This is because, in most cases, a bank excluding client-purchased offsets from its financed and/or facilitated emissions accounting adopts the same approach for its emissions reduction targets.</p> <p>As a result, sub-indicator 3.5.a already provides adequate information on the use of client-purchased offsets by banks for their financed and facilitated emissions accounting.</p> | We propose removing this sub-indicator from the NZBAF as we believe its original purpose is sufficiently met by sub-indicator 3.5.a. |

<sup>6</sup> Sub-indicator 3.5.a: *If the bank includes offsets in the accounting of its financed/facilitated emissions, has the bank disclosed the contribution of client purchased offsets?*

## Area 4. Historical emissions performance

The purpose of Area 4 is to assess a bank's historical financed and/or facilitated emissions reporting. It has so far been a placeholder as time series data have not historically been available. This year, we found that these data became available for most banks that we assess. This led us to conduct further research on how to assess banks' historical emissions reporting, which is presented below.

**Where bank reporting currently stands:** 28 out of the 36 banks we assess report on financed and/or facilitated emissions for at least one high-emission sector (see Figure 4.1). Twelve banks disclose absolute financed emissions and four disclose financed emissions from all material high-emission sectors using a relevant physical emissions intensity metric. These disclosures cover at least one material business activity of the bank,<sup>7</sup> but reporting is usually limited to lending and project financing activities. Only eight banks report on facilitated emissions from capital market activities. No bank reports on financed and facilitated emissions across all material on- and off-balance sheet activities. Overall, we observe that emissions reporting is fragmented across which high-emission sectors and which business activities disclosures cover.

Figure 4.1. Banks scoring on Indicators 3.2 and 3.3 in the 2025 assessment cycle

| Indicators                                                       | Sub-indicators                                                                                                                        | Yes | No |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>3.2</b> <b>Financed and facilitated absolute emissions</b>    | <b>3.2.a</b> Has the bank disclosed financed/facilitated absolute emissions?                                                          | 28  | 8  |
|                                                                  | <b>3.2.b</b> Has the bank disclosed financed/facilitated absolute emissions for all high-emission sectors?                            | 12  | 24 |
|                                                                  | <b>3.2.c</b> Has the bank disclosed financed/facilitated absolute emissions for all material on- and off-balance sheet activities?    | 0   | 36 |
|                                                                  | <b>3.3.a</b> Has the bank disclosed financed/facilitated emissions intensities?                                                       | 28  | 8  |
| <b>3.3</b> <b>Financed and facilitated emissions intensities</b> | <b>3.3.b</b> Has the bank disclosed financed/facilitated emissions intensities for all high-emission sectors?                         | 4   | 32 |
|                                                                  | <b>3.3.c</b> Has the bank disclosed financed/facilitated emissions intensities for all material on- and off-balance sheet activities? | 0   | 36 |

**Challenges for assessing historical emissions performance:** Assessing banks' historical financed emissions presents conceptual and methodological challenges that limit comparability across banks. Unlike real-economy companies, where the majority of emissions arise directly from their products, purchases or direct operations, most of banks' reported emissions depend on financial attribution methodologies, evolving disclosure practices and heterogeneous portfolio structures.

- Multiple high-emission sectors:** Banks' emissions disclosures include a range of high-emission sectors, making an aggregate assessment of a bank's total GHG trajectory difficult. Sectoral trends can diverge within a single portfolio (e.g. emissions may rise in the cement sector while falling in the steel sector), and incomplete disclosures mean that total financed emissions across all high-emission sectors are often unknown. Consequently, simple year-on-year comparisons of aggregate financed emissions are not informative. Sector-level pathways are already captured in the Carbon Performance for Banks assessments that help address this by showing changes in physical emissions intensity over time.
- Multiple on- and off-balance sheet activities:** Banks' financed emissions reporting can span multiple business activities, such as lending and project financing, on-balance sheet investments, off-balance sheet credit lines and capital market activities. To assess banks on a consistent basis, a separate assessment of each business activity, similar to that of the Carbon Performance Alignment Matrix, is necessary. A consistent assessment of banks within the constraints of the NZBAF is challenging.

<sup>7</sup> Sub-indicators 3.2.a and 3.3.a.

3. **Different accounting methodologies:** While most banks use methodologies developed by the Partnership for Carbon Accounting Financials (PCAF), some deviate from PCAF guidance. Most notably, some banks report their financed emissions as a three-year rolling average. These methodological differences further impede a consistent assessment of historical emissions performance.
4. **Volatility of financed emissions metrics:** Figures reported by banks are subject to volatility from technical factors that are not necessarily linked to real-world decarbonisation. For example, some banks report that data quality improvements, foreign exchange rates, market capitalisation and other factors played an important role in the change of their reported financed emissions.

The challenges described above demonstrate why banks' historical financed emissions cannot be easily summarised using Yes/No sub-indicators. The Carbon Performance for Banks tool, available on the TPI Centre's website, already provides information on banks' historical emissions. As a result, we propose removing Area 4 from the NZBAF. As banks' reporting of financed and facilitated emissions for high-emission sectors evolves and material business activity coverage expands, we may explore the application of the Cumulative Benchmark Divergence (CBD)<sup>8</sup> methodology to banks.

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<sup>8</sup> Gardiner D, Cornish S and Fenton A (2024) *From asset to portfolio alignment: assessing climate target alignment with cumulative benchmark divergence*; Dietz S, et al. (2024) *TPI State of Transition Report 2024*. London: Transition Pathway Initiative Centre, London School of Economics and Political Science.

## Area 5. Decarbonisation strategy

Table 4.7. Sub-indicator 5.2.2.a and 5.2.2.b

| Sub-indicator                                                                                                                                                                   | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Challenges identified                                                                                                                                                                                                                                           | Proposed solution: Update                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>5.2.2.a Has the bank disclosed client expectations around deforestation in at least one high forest-risk commodity in line with ending deforestation by the end of 2025?</b> | Assessing whether a bank has taken first steps in addressing deforestation in its clients' supply chains. We introduced this sub-indicator in 2025 to provide a more granular view of banks' deforestation policies. Other sub-indicators on deforestation apply to <u>all high-forest risk commodities</u> or assess whether a bank commits to end all on- and off-balance <u>sheet activities that finance land-conversion or deforestation</u> . Sub-indicator 5.2.2.a, on the other hand, assesses whether banks have a policy that covers <u>at least one high-forest risk commodity</u> (such as cattle, palm oil, pulp and paper, timber, and soy) in <u>at least one high-risk country or region</u> . | To meet the criteria for this sub-indicator, a bank must set client expectations aligned with ending commodity-driven deforestation by the end of 2025. As we approach 2026, the fixed date needs to be revised to maintain relevance and consistency.          | While retaining the same assessment approach for the next assessment cycle, we propose changing the sub-indicator wording from "by the end of 2025" to "immediately", to reflect the fact that the next assessment cycle will take place in 2026. |
| <b>5.2.2.b Has the bank disclosed a commodity-specific policy for all high forest-risk commodities to end deforestation by the end of 2025?</b>                                 | Assessing whether a bank has integrated deforestation in its decarbonisation policy. Deforestation contributes to around 11% of annual global GHG emissions. For the world to limit warming to 1.5°C, financial institutions should eliminate agricultural commodity-driven deforestation from their investment and credit portfolios by 2025, as part of their net zero plans. <sup>9</sup>                                                                                                                                                                                                                                                                                                                   | To meet the criteria for this sub-indicator, a bank must set policies for all high forest-risk commodities in line with ending deforestation by the end of 2025. As we approach 2026, the fixed date needs to be revised to maintain relevance and consistency. | While retaining the same assessment approach for the next assessment cycle, we propose changing the sub-indicator wording from "by the end of 2025" to "immediately" to reflect the fact that the next assessment cycle will take place in 2026.  |

<sup>9</sup> UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (2022) [Integrity Matters: net zero commitments by businesses, financial institutions, cities and regions](#).

## Area 6. Climate solutions

Table 4.8. Sub-indicator 6.1.a

| Sub-indicator                                                                                                                     | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Proposed solution: Update                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>6.1.a Has the bank committed to scale up finance directed towards climate solutions, with specific targets and milestones?</i> | <p>Assessing whether a bank has a climate solutions-specific financing target with a total financing amount and a clear timeframe.</p> <p>We assess climate financing targets to evaluate:</p> <ol style="list-style-type: none"> <li>1. Whether banks identified financing and investment opportunities in climate solutions.</li> <li>2. How banks' climate financing targets complement and enhance the credibility of their sectoral decarbonisation targets.</li> </ol> | <p>The current methodology note specifies that climate solutions financing targets must be expressed either as an absolute value or as a share of total financing (as long as the total financing amount is disclosed) to meet this sub-indicator.</p> <p>During the 2025 assessment cycle, we observed that several banks have set climate solutions financing targets using metrics other than financing volumes. These banks track their progress against their financing targets using metrics such as physical deployment (e.g. gigawatt hours [GWh] of renewable electricity supplied/installed), technology mix (e.g. number or percentage of new vehicles financed) or emissions-related metrics.</p> | <p>We propose updating the methodology note for this sub-indicator to include climate solutions financing targets set using physical deployment metrics, technology mix (e.g. percentage of newly sold cars that are electric) and other comparable metrics.</p> <p>Targets relying on such metrics have the additional benefit of offering insights into how banks aim to support the achievement of their sectoral decarbonisation targets.</p> |

## Area 7. Climate policy engagement

Table 4.9. Sub-indicator 7.2.c

| Sub-indicator                                                                                                                                                                                      | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                              | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposed solution: Remove                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>7.2.c For each trade association, has the bank disclosed whether it sits on the Executive Board or plays an active role in committees or other activities related to climate change?</i></b> | <p>Assessing whether a bank's board members play an active role in the climate-related activities of each of their trade associations.</p> <p>Trade associations often lobby on policies that directly affect climate action. If a bank holds a leadership or active role, such as sitting on an Executive Board or leading climate-related committees, it can shape the association's positions, advocacy efforts and public statements.</p> | To score, a bank must disclose board involvement in climate-related activities for each trade association. However, this creates duplication, as the bank's engagement with its trade associations is already covered in sub-indicators 7.2.a <sup>10</sup> (public commitment to 1.5°C-aligned lobbying activities in the trade associations it is a member of) and 7.2.b <sup>11</sup> (review of the climate policies of the trade associations the bank is a member of). | We propose removing this sub-indicator, as it provides limited additional information beyond what is already captured under sub-indicators 7.2.a and 7.2.b. |

<sup>10</sup> Sub-indicator 7.2.a: Has the bank disclosed a public commitment or position statement to advocate for 1.5°C-aligned lobbying within the trade associations of which it is a member?

<sup>11</sup> Sub-indicator 7.2.b: Has the bank published a review of its trade associations' climate policies, their alignment with the 1.5°C goal, and the actions taken by the bank in response?

## Area 8. Climate governance

Table 4.10. Sub-indicator 8.1.a

| Sub-indicator                                                                                                                                                                                                                             | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Proposed solution: Update                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>8.1.a</b> <i>Has the bank included climate-related risks, including both transition and physical risks, as a key risk category in its annual report OR explained the decision to exclude climate risk as a material risk category?</i> | <p>Assessing whether a bank recognises climate-related risks (both physical and transition risks) as a distinct key or material risk category.</p> <p>Including climate risk as a key risk category in the annual report signals that the bank recognises its potential financial impact and is integrating it into governance, oversight and strategic decision-making. Alternatively, if a bank decides not to classify climate risk as material, providing an explanation ensures transparency and allows stakeholders to understand the rationale behind this decision.</p> | <p>To score, a bank must explain how climate change is integrated into its capital allocation decisions, how climate risks relate to its climate strategy and how a transition to net zero would impact its business. This information must be included in the “Key Risks” section of the annual report. However, as banks in different regions are subject to different annual reporting requirements, there are significant differences in the content and structure of the risk section of their annual reports.</p> <p>In addition, the sub-indicator focuses on information disclosed in the annual report, which aligns more closely with the purpose of Area 10, “Annual reporting, accounting and audits”, than with Area 8, “Climate governance”.</p> | We propose refining the assessment criteria for sub-indicator 8.1.a to account for the differing structures of banks’ annual reports. In addition, we recommend moving this sub-indicator to Area 10, where it aligns more closely with the area’s focus and content. |

Table 4.11. Sub-indicator 8.1.b

| Sub-indicator                                                                                                                | Original purpose                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Proposed solution: Remove                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>8.1.b</b> <i>Has the bank disclosed in its annual report the implications of climate-related risks and actions taken?</i> | <p>Assessing whether a bank explains in its annual report how climate-related risks (both transition and physical) are integrated in its capital allocation decision-making process.</p> <p>This sub-indicator is conditional on 8.1.a. This means that, after a bank recognises climate risks as material, sub-indicator 8.1.b assesses whether the bank has integrated these risks into its operations and developed a strategy that addresses climate risks.</p> | <p>To score, a bank must disclose how climate risk is incorporated into business decisions. However, this often results in high-level narrative disclosures that add limited value as a standalone sub-indicator, given that other, more targeted indicators in the framework already capture the specific actions banks take to integrate climate risk into decision-making. For example, these actions include, among others, setting emissions-reduction targets (Area 3), establishing financing policies for high-emission sectors (Area 5), and defining governance structures for climate oversight (Area 8).</p> | We propose removing this sub-indicator, as we believe it does not provide additional value beyond what is already captured through more targeted sub-indicators in the framework. |

## Area 9. Just transition

Table 4.12. Sub-indicator 9.1.a

| Sub-indicator                                                                                                                                                       | Original purpose                                                                                                                                                                                                                                                                                                 | Challenges identified                                                                                                                                                                                                                                                                                                                                                              | Proposed solutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>9.1.a. Has the bank committed to decarbonise in line with defined just transition principles, recognising the social impacts of its decarbonisation efforts?</i> | <p>Assessing whether a bank integrates just transition principles into its decarbonisation strategy.</p> <p>This sub-indicator focuses on a bank's commitment to a just transition, which can serve as a first step before embedding just transition in a bank's policies and product offering.<sup>12</sup></p> | <p>This sub-indicator's criteria assess a strong institutional commitment to a just transition at the group level or across the business activities covered by the bank's decarbonisation strategy. While these criteria reflect best practices,<sup>13</sup> they are currently not open-ended enough to differentiate between banks' institutional engagement on this topic.</p> | <p><b>Solution 1:</b> Introducing a new sub-indicator capturing banks' engagement towards a just transition in a more open-ended way and leaving sub-indicator 9.1.a unchanged.</p> <p><u>Pros:</u> A new sub-indicator would enable stakeholders to better differentiate between the different levels of engagement that banks have regarding just transition. Keeping the current sub-indicator 9.1.a would maintain the ambition for a strong institutional commitment, in line with best practices.</p> <p><u>Cons:</u> A new sub-indicator would introduce a layer of complexity to a framework that is already very detailed. This new sub-indicator could be confused with the current sub-indicator 9.1.a, which assesses a strong commitment to a just transition.</p> <p><b>Solution 2:</b> Removing sub-indicator 9.1.a.</p> <p><u>Pros:</u> Focusing just transition assessments on banks' actions rather than commitment may send a clearer signal to framework users regarding how banks are integrating just transition in their operations.</p> <p><u>Cons:</u> Deleting sub-indicator 9.1.a would remove a data point on the banks' institutional commitment to a just transition.</p> <p>Note: Solution 2 may entail a reorganisation of the framework, such as deleting Area 9, currently focused only on just transition.</p> |

<sup>12</sup> International Labor Organization and Grantham Research Institute for Climate Change and the Environment (2022) *Just Transition Finance Tool for banking and investing activities*.

<sup>13</sup> International Labour Organization and United Nations Environment Programme Finance Initiative (2023) *Just Transition Finance: Pathways for Banking and Insurance*. Geneva.

## Area 10. Annual reporting, accounting, and audits

Table 4.13. Sub-indicator 10.2.a

| Sub-indicator                                                                                                                                       | Original purpose                                                                                                                                                                                                                                                                                                                                       | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Proposed solution: Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>10.2.a</b> <i>Has the bank disclosed where material climate-related matters are incorporated in its financial statements, and explained how?</i> | <p>Assessing whether, and how, climate-related financial risks are recognised and measured within a bank's financial statements.</p> <p>The purpose of this indicator is to assess whether the bank's climate-related disclosures are integrated into its financial reporting and explain how climate considerations influence financial outcomes.</p> | <p>Currently, to score on this sub-indicator, a bank must explain <u>how</u> it incorporates the financial impacts of physical and transition risks from climate change into its accounting principles and judgements or <u>how</u> a bank concluded that climate change does not have material impacts on its financial statement items.</p> <p>The lack of specificity around which bank disclosures fulfil these assessment criteria hinder the clear and consistent assessment of the quality and completeness of banks' disclosures in this sub-indicator.</p> | <p>We propose making the assessment criteria clearer to enable a more consistent assessment across banks. By increasing the focus on the description of the internal risk-management processes and mechanisms used to assess climate-related financial risks, we can determine not only whether such risks are reflected in relevant financial statement items, but also the methodologies underpinning banks' assessments of the materiality of climate change over the short, medium and long term.</p> <p>Implementing these changes will require further review of evolving accounting principles, bank disclosures and investor expectations. It may also involve changes to the methodology note of sub-indicators 10.2.b, 10.2.c and 10.2.d.</p> |

Table 4.14. Sub-indicator 10.3.a

| Sub-indicator                                                                                                                      | Original purpose                                                                                                                                                                                                                          | Challenges identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Proposed solution: Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>10.3.a</b> <i>Has the audit report identified how the auditor has assessed the material impacts of climate-related matters?</i> | <p>Assessing whether a bank's auditor considers the financial implications of climate change when auditing the bank's financial statements, giving investors confidence that climate considerations have been independently reviewed.</p> | <p>Currently, to score, on this sub-indicator, an auditor must disclose the significant climate-related inputs (e.g. assumptions and estimates) used in their assessment, as well as the judgements applied in relation to the bank's climate commitments and financial performance.</p> <p>This criteria, however, is not in line with banks' disclosures of other risk categories, such as credit or market risk. We thus propose to modify the assessment criteria, as detailed in the "Proposed solution" column.</p> | <p>We propose making the assessment criteria clearer to make the assessment of sub-indicator 10.3.a more consistent across banks. We will provide more detail on what auditors need to disclose to demonstrate that they have evaluated the bank's internal processes and mechanisms for incorporating climate-related matters into financial statement items.</p> <p>Implementing these changes will require further review of evolving accounting principles, bank disclosures and investor expectations. It may also involve changes to the methodology note of sub-indicators 10.3.b and 10.3.c.</p> |

## Update for the 2026 NZBAF methodology note

Following feedback from framework users, we will update the detailed guidance for sub-indicators to focus on criteria that must be met to score on sub-indicators.

### Consultation questions part D

#### D.1. Do you agree with the proposed changes for Area 1?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

Additional comments:\_\_\_\_\_

#### D.2. Do you agree with the proposed changes for Area 2?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

Additional comments:\_\_\_\_\_

D.3. For sub-indicator 2.2.b (*Has the bank disclosed the materiality test that informed the on- and off-balance sheet activities and high-emission sectors included in the scope of its targets?*), which metric is most relevant to identify which of the bank's activities and high-emission sectors should be included in the scope of its targets? *(Select one)*

- ☐ Financial materiality
- ☐ Emissions materiality

Additional comments:\_\_\_\_\_

D.4. Sub-indicator 2.2.d (*Has the bank disclosed the proportion (%) of financed and facilitated emissions covered by its sectoral targets?*) currently only looks at the proportion of financed and/or facilitated emissions covered by sectoral targets for all material business activities. Do you think:

- ☐ This sub-indicator should keep its focus on emissions only
- ☐ This sub-indicator should look at the exposure covered by sectoral targets for all material business activities
- ☐ This sub-indicator should focus on both the proportion of financed and/or facilitated emissions AND exposure covered by sectoral targets for all material business activities

Additional comments:\_\_\_\_\_

#### D.5. Do you agree with the proposed changes for Area 3?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

Additional comments:\_\_\_\_\_

#### D.6. Do you agree with the removal of Area 4?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

Additional comments:\_\_\_\_\_

#### D.7. Do you agree with the proposed changes for Area 5?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree
- Additional comments:\_\_\_\_\_

**D.8. Do you agree with the proposed changes for Area 6?**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree
- Additional comments:\_\_\_\_\_

**D.9. Do you agree with the proposed changes for Area 7?**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree
- Additional comments:\_\_\_\_\_

**D.10. Do you agree with the proposed changes for Area 8?**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree
- Additional comments:\_\_\_\_\_

**D11. Which solution do you think works better for Area 9?**

- ☐ Solution 1: Introducing a new sub-indicator capturing banks' engagement towards a just transition in a more open-ended way and leaving sub-indicator 9.1.a unchanged.
- ☐ Solution 2: Deleting sub-indicator 9.1.a.
- ☐ Solution 3: Keeping sub-indicator 9.1.a as is, as it is aligned with best practices.
- Additional comments:\_\_\_\_\_

**D.12. Do you agree with the proposed changes for Area 10?**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree
- Additional comments:\_\_\_\_\_

**D.13. Overall, how appropriate do you find the overall set of proposed changes (removals, updates, and relocations) to the NZBAF indicators? *(Select one)***

- ☐ Very appropriate — the changes improve clarity and relevance
- ☐ Mostly appropriate — some adjustments may still be needed
- ☐ Partially appropriate — I support some changes, but other elements of the framework should remain as is
- ☐ Not appropriate — the changes reduce the framework's usefulness
- ☐ Unsure
- Additional comments:\_\_\_\_\_

**D.14. Do you have any additional comments on the proposed changes? *(Open-ended)***

## 5. Next steps

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We would welcome feedback by 31 January 2026 via this [survey](#) from investors, banks, academia and the wider public to ensure that the Net Zero Banking Assessment Framework (NZBAF) can continue to respond to the needs of both investors and banks while aligning with recent literature and existing market practice.

The 2026 version of the NZBAF framework will be developed using the survey results, but may not necessarily integrate all suggestions. The new framework will be used to assess banks in the 2026 assessment cycle and the methodology will be publicly available in Q4 2026. The 2026 assessment cycle results will also be publicly available in Q4 2026.

# Appendix 1. Net Zero Banking Assessment Framework (2025)

| Area/Sub-area/Indicator                                                 | Sub-indicator                                                                                                                                                                                      |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Area 1. Net zero commitment</b>                                      |                                                                                                                                                                                                    |
| Indicator 1.1 Net zero commitment                                       | 1.1.a Has the bank committed to achieving net zero financed/facilitated emissions by 2050 or sooner?                                                                                               |
|                                                                         | 1.1.b Has the bank disclosed what on- and off-balance sheet activities OR what proportion of total financed/facilitated emissions are covered by its net zero commitment?                          |
|                                                                         | 1.1.c Does the bank's net zero emissions commitment cover all material on- and off-balance sheet activities OR explicitly commit to doing so once methodologies are developed?                     |
|                                                                         | 1.1.d If the bank has committed to covering all material on- and off-balance sheet activities in its net zero commitment, has the bank disclosed over what timeframe?                              |
| <b>Area 2. Sectoral GHG reduction targets</b>                           |                                                                                                                                                                                                    |
| Indicator 2.1 Long-, medium-, and short-term sectoral emissions targets | 2.1.a Has the bank set a short-term sectoral target(s) for reducing its material financed/facilitated emissions (from the year of assessment to 2030)?                                             |
|                                                                         | 2.1.b Has the bank set a medium-term sectoral target(s) for reducing its material financed/facilitated emissions between 2031 and 2035?                                                            |
|                                                                         | 2.1.c Has the bank set a long-term sectoral target(s) for reducing its material financed and facilitated emissions between 2036 and 2050?                                                          |
| Indicator 2.2 Target-setting methodology                                | 2.2.a Has the bank disclosed its financed/facilitated sectoral emissions targets on both an absolute and intensity basis?                                                                          |
|                                                                         | 2.2.b Has the bank disclosed the materiality test that informed the on- and off-balance sheet activities and high-emission sectors included in the scope of its sectoral targets?                  |
|                                                                         | 2.2.c Has the bank disclosed the proportion (%) of bank-wide revenues covered by its sectoral targets?                                                                                             |
|                                                                         | 2.2.d Has the bank disclosed the proportion (%) of financed and facilitated emissions covered by its sectoral targets?                                                                             |
|                                                                         | 2.2.e Has the bank disclosed a commitment to cover all material on- and off-balance sheet activities and high-emission sectors once externally recognised methodologies (e.g. PCAF) are developed? |
|                                                                         | 2.2.f Has the bank disclosed the climate scenarios AND methods used to set each sectoral target?                                                                                                   |
| <b>Area 3. Exposure and emissions disclosure</b>                        |                                                                                                                                                                                                    |
| Indicator 3.1 Exposure to high-emission sectors                         | 3.1.a Has the bank disclosed the amount (\$m) AND share (%) of its credit exposure to all material high-emission sectors?                                                                          |
|                                                                         | 3.1.b Has the bank disclosed the amount (\$m) AND share (%) of its revenue exposure to all high-emission sectors covering all material on- and off-balance sheet activities?                       |

|                                                                           |                                                                                                                                                                                                                |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indicator 3.2 Financed and facilitated absolute emissions                 | 3.2.a Has the bank disclosed financed/facilitated absolute emissions?                                                                                                                                          |
|                                                                           | 3.2.b Has the bank disclosed financed/facilitated absolute emissions for all high-emission sectors?                                                                                                            |
|                                                                           | 3.2.c Has the bank disclosed financed/facilitated absolute emissions for all material on- and off-balance sheet activities?                                                                                    |
| Indicator 3.3 Financed and facilitated emissions intensities              | 3.3.a Has the bank disclosed financed/facilitated emissions intensities?                                                                                                                                       |
|                                                                           | 3.3.b Has the bank disclosed financed/facilitated emissions intensities for all high-emission sectors?                                                                                                         |
|                                                                           | 3.3.c Has the bank disclosed financed/facilitated emissions intensities for all material on- and off-balance sheet activities?                                                                                 |
| Indicator 3.4 Financed and facilitated emissions methodology              | 3.4.a Has the bank disclosed the methods, assumptions, and variables used to quantify financed/facilitated emissions?                                                                                          |
|                                                                           | 3.4.b Has the bank used and disclosed results from PCAF's data quality scoring methodology to assess the quality of underlying client emissions data?                                                          |
| Indicator 3.5 Approach to client-purchased offsets                        | 3.5.a If the bank includes offsets in the accounting of its financed/facilitated emissions, has the bank disclosed the contribution of client-purchased offsets?                                               |
|                                                                           | 3.5.b Has the bank excluded client-purchased offsets towards meeting its financed/facilitated emissions targets?                                                                                               |
| <b>Area 4. Historical emissions performance</b>                           |                                                                                                                                                                                                                |
| Indicator 4.1 Historical emissions performance                            | N/A                                                                                                                                                                                                            |
| <b>Area 5. Decarbonisation strategy</b>                                   |                                                                                                                                                                                                                |
| Sub-area 5.1 Financing conditions and revenue alignment                   |                                                                                                                                                                                                                |
| Indicator 5.1.1 Financing conditions for high-emission sectors            | 5.1.1.a Has the bank set financing conditions and/or covenants to incentivise the transition of high-emission sector companies?                                                                                |
|                                                                           | 5.1.1.b Has the bank disclosed actions taken to ensure that financing conditions and/or covenants are enforced (e.g. developing a watch list, suspending loan disbursement, risk-weighted pricing incentives)? |
|                                                                           | 5.1.1.c Do the bank's conditions and/or covenants apply to all high-emission sectors?                                                                                                                          |
|                                                                           | 5.1.1.d Has the bank established climate provisions in deal and transaction terms to ensure high-emitting asset transfers are compliant with a 1.5°C scenario (e.g. from M&A advisory)?                        |
| Indicator 5.1.2 Revenue derived from 1.5°C-aligned assets                 | 5.1.2.a Has the bank set a target to increase the share of financing/facilitation provisioned to high-emitting companies that are subject to decarbonisation measures?                                         |
|                                                                           | 5.1.2.b Has the bank set a group-wide target to increase the share of revenue derived from 1.5°C-aligned companies (TPI Centre or Science-Based Targets initiative [SBTi])?                                    |
| Indicator 5.1.3 Asset management strategy to increase portfolio alignment | 5.1.3.a Has the bank's asset management division disclosed a criteria-based escalation policy for voting and engagement with non-aligned assets?                                                               |
|                                                                           | 5.1.3.b Has the bank's asset management division disclosed a portfolio coverage goal to increase the percentage of assets under management (AUM) invested in 1.5°C-aligned assets?                             |
|                                                                           | 5.1.3.c Has the bank's asset management division disclosed the percentage of AUM invested in 1.5°C-aligned assets?                                                                                             |

|                                                                             |                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sub-area 5.2 Capital allocation to misaligned activities                    |                                                                                                                                                                                                                                                                                |
| Indicator 5.2.1 Exclusion policies to fossil fuel activities                | 5.2.1.a Has the bank committed to immediately end all on- and off-balance sheet activities that finance new coal capacity (mining and power)?                                                                                                                                  |
|                                                                             | 5.2.1.b Has the bank committed to phase out all on- and off-balance sheet activities that finance unabated thermal coal (mining and power) on a timeline consistent with a 1.5°C-aligned pathway (i.e. by 2030 in EU and OECD countries and by 2040 in the rest of the world)? |
|                                                                             | 5.2.1.c Has the bank committed to end all project financing dedicated to the exploration and development of new oil and gas fields?                                                                                                                                            |
|                                                                             | 5.2.1.d Has the bank committed to end all on- and off-balance sheet activities dedicated to the exploration and development of new oil and gas fields?                                                                                                                         |
|                                                                             | 5.2.1.e Does the bank's oil and gas policy include an exclusion threshold for investees with oil and gas expansion plans?                                                                                                                                                      |
| Indicator 5.2.2 Financing policies to misaligned land conversion activities | 5.2.2.a Has the bank disclosed client expectations around deforestation in at least one high forest-risk commodity in line with ending deforestation by the end of 2025?                                                                                                       |
|                                                                             | 5.2.2.b Has the bank disclosed a commodity-specific policy for all high forest-risk commodities to end deforestation by the end of 2025?                                                                                                                                       |
|                                                                             | 5.2.2.c Has the bank disclosed an overarching commitment to end all on- and off-balance sheet activities that finance deforestation no later than 2030?                                                                                                                        |
|                                                                             | 5.2.2.d Has the bank disclosed an overarching commitment to end all on- and off-balance sheet activities that finance land conversion of other natural ecosystems no later than 2030?                                                                                          |
| Sub-area 5.3 Climate scenario analysis                                      |                                                                                                                                                                                                                                                                                |
| Indicator 5.3.1 Climate scenario analysis                                   | 5.3.1.a Has the bank conducted a climate-related scenario analysis for transition risks and disclosed its quantified results, including for a 1.5°C scenario?                                                                                                                  |
|                                                                             | 5.3.1.b Has the bank conducted a climate-related scenario analysis for physical risks and disclosed its quantified results, including for a higher temperature scenario?                                                                                                       |
|                                                                             | 5.3.1.c Do the bank's quantitative scenario analyses explicitly cover all its material on- and off-balance sheet activities?                                                                                                                                                   |
|                                                                             | 5.3.1.d Do the bank's quantitative scenario analyses explicitly cover all of the high-emission sectors in which it has activities?                                                                                                                                             |
|                                                                             | 5.3.1.e Has the bank disclosed how the quantitative scenario analysis results inform decision-making?                                                                                                                                                                          |
| <b>Area 6. Climate solutions</b>                                            |                                                                                                                                                                                                                                                                                |
| Indicator 6.1 Target design and methodological choices                      | 6.1.a Has the bank committed to scale up finance directed towards climate solutions, with specific targets and milestones?                                                                                                                                                     |
|                                                                             | 6.1.b Has the bank quantified its climate solutions target(s) using financing ratios?                                                                                                                                                                                          |
|                                                                             | 6.1.c Has the bank transparently defined the financial products and climate solutions in scope for its target(s)?                                                                                                                                                              |
|                                                                             | 6.1.d Has the bank disclosed how it applied climate scenarios to quantify its climate solutions target(s)?                                                                                                                                                                     |
|                                                                             | 6.1.e Has the bank disclosed its definition of climate solutions AND used an established, external standard developed by a                                                                                                                                                     |

|                                                                |                                                                                                                                                                                                                                              |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                | national, regional, or global governing body (e.g. the EU Taxonomy)?                                                                                                                                                                         |
| Indicator 6.2 Financing and impact reporting                   | 6.2.a Has the bank reported on the climate solutions financing and facilitation it provided in the latest reporting year?                                                                                                                    |
|                                                                | 6.2.b Has the bank disclosed its total share of finance directed towards climate solutions in the latest reporting year?                                                                                                                     |
|                                                                | 6.2.c Has the bank quantified the real-economy impact of its climate solutions target(s)?                                                                                                                                                    |
| <b>Area 7. Climate policy engagement</b>                       |                                                                                                                                                                                                                                              |
| Indicator 7.1 Own climate policy engagement                    | 7.1.a Has the bank disclosed a public commitment or position statement to conduct all of its lobbying in accordance with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels?                               |
|                                                                | 7.1.b Has the bank published an annual review of its climate policy positions, evaluated whether these are consistent with the 1.5°C goal, AND disclosed how it has advocated for them through its own climate policy engagement activities? |
| Indicator 7.2 Climate policy engagement and trade associations | 7.2.a Has the bank disclosed a public commitment or position statement to advocate for 1.5°C-aligned lobbying within the trade associations of which it is a member?                                                                         |
|                                                                | 7.2.b Has the bank published a review of its trade associations' climate policies, their alignment with the 1.5°C goal, and the actions taken by the bank in response?                                                                       |
|                                                                | 7.2.c For each trade association, has the bank disclosed whether it sits on the Executive Board or plays an active role in committees or other activities related to climate change?                                                         |
| <b>Area 8. Climate governance</b>                              |                                                                                                                                                                                                                                              |
| Indicator 8.1 Assessment of climate risk                       | 8.1.a Has the bank included climate-related risks, including both transition and physical risks, as a key risk category in its annual report OR explained the decision to exclude climate risk as a material risk category?                  |
|                                                                | 8.1.b Has the bank disclosed in its annual report the implications of climate-related risks and actions taken?                                                                                                                               |
| Indicator 8.2 Board oversight of climate change                | 8.2.a Has the bank disclosed evidence of a Board committee or a Board member with responsibility for oversight of climate change?                                                                                                            |
|                                                                | 8.2.b Has the bank assessed these individuals' competencies with respect to managing climate risks and disclosed the results of those assessments?                                                                                           |
|                                                                | 8.2.c Has the bank disclosed details on the criteria used to assess the board competencies with respect to managing climate risks?                                                                                                           |
| Indicator 8.3 Remuneration scheme and climate change           | 8.3.a Has the bank established a remuneration scheme at the C-suite level that specifically incorporates climate change performance? (References to "ESG" or "sustainability performance" are insufficient)                                  |
|                                                                | 8.3.b Has the bank established a remuneration scheme at the C-suite level that incorporates progress towards achieving the bank's financed/facilitated emissions reduction targets?                                                          |
| <b>Area 9. Just transition</b>                                 |                                                                                                                                                                                                                                              |
| Indicator 9.1 Just transition                                  | 9.1.a Has the bank committed to decarbonise in line with defined just transition principles, recognising the social impacts of its decarbonisation efforts?                                                                                  |
|                                                                | 9.1.b Has the bank disclosed actions taken to ensure relevant just transition considerations are incorporated in its climate                                                                                                                 |

|                                                          |                                                                                                                                                                                                   |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                          | strategy (e.g. just transition-related requirements in lending covenants and conditions, pre-investment screening, sector policies)?                                                              |
| <b>Area 10. Annual reporting, accounting, and audits</b> |                                                                                                                                                                                                   |
| Indicator 10.2 Financial statements                      | 10.2.a Has the bank disclosed where material climate-related matters are incorporated in its financial statements, and explained how?                                                             |
|                                                          | 10.2.b Has the bank disclosed the quantitative climate-related assumptions and estimates (e.g. estimates of future cash flows used in impairment testing) in its financial statements?            |
|                                                          | 10.2.c Has the bank used or disclosed a sensitivity to assumptions and estimates aligned with achieving net zero financed/facilitated emissions by 2050 (or sooner) in its financial statements?  |
|                                                          | 10.2.d Are the bank's financial statements consistent with the bank's other reporting (e.g. Annual Report, Pillar 3 disclosures, TCFD index, sustainability report, etc.)?                        |
| Indicator 10.3 Financial statement audit                 | 10.3.a Has the audit report identified how the auditor has assessed the material impacts of climate-related matters?                                                                              |
|                                                          | 10.3.b Has the audit report analysed the bank's assumptions and estimates used in quantifying the financial consequences of climate-related matters?                                              |
|                                                          | 10.3.c Has the auditor confirmed that the financial statements and the bank's other reporting (e.g. Annual Report, Pillar 3 disclosures, TCFD index, sustainability report, etc.) are consistent? |

# Appendix 2. Summary of the changes

| Sub-indicator                                                                                                                                                                                                                      | Proposed change                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| 1.1.d <i>If the bank has committed to covering all material on- and off-balance sheet activities in its net zero commitment, has the bank disclosed over what timeframe?</i>                                                       | Remove sub-indicator                                       |
| 2.2.b <i>Has the bank disclosed the materiality test that informed the on- and off-balance sheet activities and high-emission sectors included in the scope of its targets?</i>                                                    | Update assessment methodology                              |
| 2.2.c <i>Has the bank disclosed the proportion (%) of bank-wide revenues covered by its targets?</i>                                                                                                                               | Remove sub-indicator                                       |
| 2.2.d <i>Has the bank disclosed the proportion (%) of financed and facilitated emissions covered by its sectoral targets?</i>                                                                                                      | Update assessment methodology                              |
| 2.2.e <i>Has the bank disclosed a commitment to cover all material on- and off-balance sheet activities and high-emission sectors once externally recognised methodologies (e.g. PCAF) are developed?</i>                          | Remove sub-indicator                                       |
| 3.1.b <i>Has the bank disclosed the amount (\$m) AND share (%) of its revenue exposure to all high-emission sectors covering all material on- and off-balance sheet activities?</i>                                                | Update assessment methodology                              |
| 3.5.b <i>Has the bank excluded client-purchased offsets towards meeting its financed/facilitated emissions targets?</i>                                                                                                            | Remove sub-indicator                                       |
| 5.2.2.a <i>Has the bank disclosed client expectations around deforestation in at least one high forest-risk commodity in line with ending deforestation by the end of 2025?</i>                                                    | Update assessment methodology                              |
| 5.2.2.b <i>Has the bank disclosed a commodity-specific policy for all high forest-risk commodities to end deforestation by the end of 2025?</i>                                                                                    | Update assessment methodology                              |
| 6.1.a <i>Has the bank committed to scale up finance directed towards climate solutions, with specific targets and milestones?</i>                                                                                                  | Update assessment methodology                              |
| 7.2.c <i>For each trade association, has the bank disclosed whether it sits on the Executive Board or plays an active role in committees or other activities related to climate change?</i>                                        | Remove sub-indicator                                       |
| 8.1.a <i>Has the bank included climate-related risks, including both transition and physical risks, as a key risk category in its annual report OR explained the decision to exclude climate risk as a material risk category?</i> | Update assessment methodology and move to indicator 10.1.1 |
| 8.1.b <i>Has the bank disclosed in its annual report the implications of climate-related risks and actions taken?</i>                                                                                                              | Remove sub-indicator                                       |
| 9.1.a <i>Has the bank committed to decarbonise in line with defined just transition principles, recognising the social impacts of its decarbonisation efforts?</i>                                                                 | Update or remove sub-indicator                             |
| 10.2.a <i>Has the bank disclosed where material climate-related matters are incorporated in its financial statements, and explained how?</i>                                                                                       | Update assessment methodology                              |
| 10.3.a <i>Has the audit report identified how the auditor has assessed the material impacts of climate-related matters</i>                                                                                                         | Update assessment methodology                              |

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## TPI Centre research team



**TPI Global Climate Transition Centre**  
London School of Economics and Political Science  
Houghton Street  
London WC2A 2AE, UK

T +44 (0)20 7107 5027  
E [tpi@lse.ac.uk](mailto:tpi@lse.ac.uk)

[www.transitionpathwayinitiative.org](http://www.transitionpathwayinitiative.org)