Partnership for Carbon Accounting Financials

Enabling financial institutions to assess and disclose financed emissions

08 September 2021

PCAF Partnership for Carbon Accounting Financials

Introduction to PCAF

PCAF: A global industry-led initiative to standardize the measurement and disclosure of financed emissions

2015: Netherlands **2018: North America** **2019: Global**

Global Steering Committee

ABN·AMRO

amalgamated bank

asn bank

Global Alliance for Banking on Values

Morgan Stanley

NMB BANK
एनएमबि बैंक
समृद्ध नेपालको लागि

Triodos Bank

UN-convened Net-Zero Asset Owner Alliance

145+ financial institutions in 44 countries are part of PCAF, representing 48+ trillion USD in total assets

Objectives of PCAF

1. Develop the Global GHG Accounting and Reporting Standard for the Financial Industry

2. Increase the number of financial institutions that use the Standard and disclose financed emissions to over **250 institutions worldwide by year-end 2022**

Check the full list of PCAF participants [here]

Since 2015, PCAF participants have developed and tested GHG accounting methods, leading to a globally harmonized Standard

WRI and WBCSD published Corporate Value Chain (Scope 3) Accounting and Reporting Standard
2011

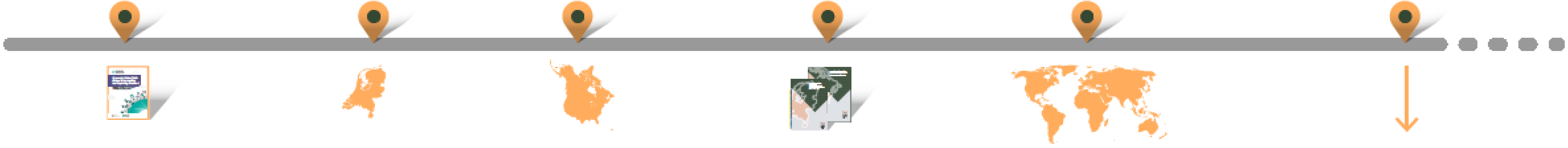
PCAF founded by Dutch financial institutions
2015

PCAF launched in North America
2018

PCAF published 2 reports on GHG accounting methods
2019

PCAF launched globally
2019

PCAF launches Global GHG Accounting and Reporting Standard for the financial industry
2020



The GLOBAL GHG ACCOUNTING & REPORTING Standard

FOR THE FINANCIAL INDUSTRY

BUILT ON GHG PROTOCOL

"This standard has been reviewed by the GHG Protocol and is in conformance with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, for Category 15 investment activities."

The GLOBAL GHG ACCOUNTING & REPORTING Standard

FOR THE FINANCIAL INDUSTRY

Listed Equity and Corporate Bonds

$$\frac{\textit{Outstanding amount}}{\textit{EVIC or Total company equity + debt}} \times \textit{Company emissions}$$

EVIC = enterprise value including cash

Business Loans and Unlisted Equity

$$\frac{\textit{Outstanding amount}}{\textit{EVIC or Total company equity + debt}} \times \textit{Company emissions}$$

EVIC = enterprise value including cash

Project Finance

$$\frac{\textit{Outstanding amount}}{\textit{Total project equity + debt}} \times \textit{Project emissions}$$

GHG accounting for six asset classes

Commercial Real Estate

$$\frac{\textit{Outstanding amount}}{\textit{Property value at origination}} \times \textit{Building emissions}$$

Mortgages

$$\frac{\textit{Outstanding amount}}{\textit{Property value at origination}} \times \textit{Building emissions}$$

Motor Vehicles Loans

$$\frac{\textit{Outstanding amount}}{\textit{Total value at origination}} \times \textit{Vehicle emissions}$$

The PCAF Core Team continues to expand on the Standard with more asset classes and case studies

BANCO PICHINCHA
ABN·AMRO
BlackRock
ROBECO
amalgamated bank

Produbanco Grupo Promerica
CDC Investment works
Triodos Bank
FirstRand
UN-convened Net-Zero Asset Owner Alliance

FMO Entrepreneurial Development Bank
BOSTON COMMON ASSET MANAGEMENT
Morgan Stanley
HSBC

BANK OF AMERICA
BARCLAYS
AIMCo
Federated Hermes

HANNON ARMSTRONG
We are family
CTBC HOLDING 中國信託金控
Deutsche Bank

The Core Team is currently working on three areas

1 Working groups

- Sovereign bonds
- GHG emissions removals
- Capital market instruments
- Green bonds

2 Guidelines on correction of EVIC

Exploring options to guide financial institutions on how to correct EVIC to address the issue of market fluctuations

3 Case studies

One case study per asset class

Listed equity and corporate bonds | Business loans and unlisted equity | Project finance | Commercial real estate | Mortgages | Motor vehicle loans

Breaking news: New working group to enable insurers to set net-zero targets for their underwriting portfolios

[Read more]

The value of measuring financed emissions

Measuring and disclosing financed emissions furthers climate-related business goals and aligns with other initiatives

Business Goal 1	Business Goal 2	Business Goal 3	Business Goal 4
Create transparency for stakeholders	Manage climate-related transition risks	Develop climate-friendly financial products	Align financial flows with the Paris Agreement

Measurement of financed emissions PCAF

CDP™ DISCLOSURE INSIGHT ACTION

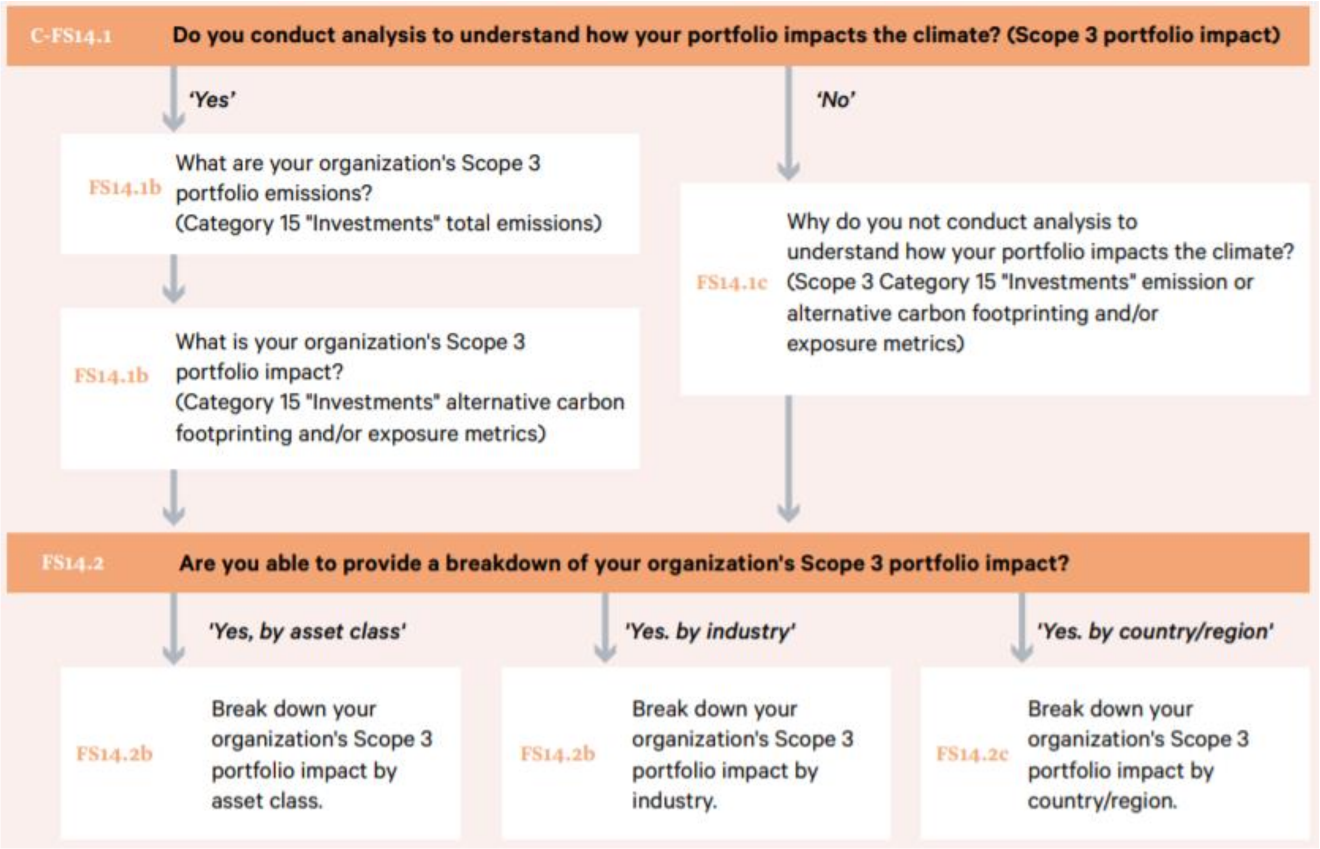
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Business Goal 1
Create transparency for stakeholders

Financed emissions are an important metric in creating transparency for stakeholders

- CDP asks financial institutions to **disclose their financed emissions**, along with the breakdown of these emissions by **asset class, sector, and geography**
- The Global Standard provides the methodologies for calculating financed emissions



CDP
DISCLOSURE INSIGHT ACTION

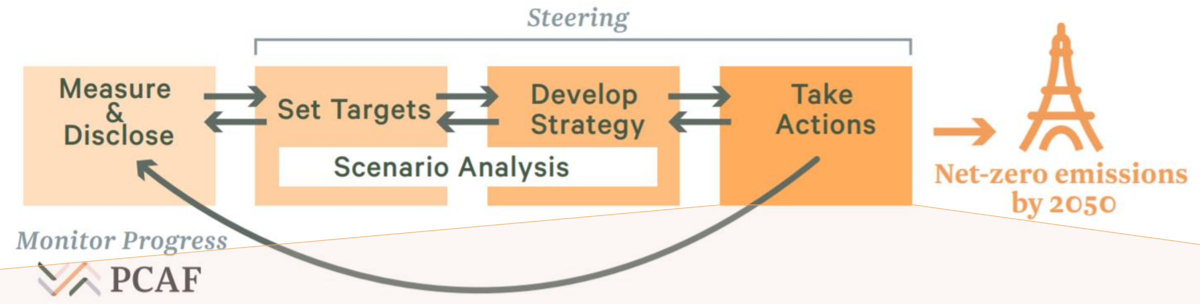
Financed emissions are a key metric to understand climate-related transition risk as per the TCFD

- One of the goals of the TCFD framework is to **measure and disclose the transition risks** posed to organizations by climate-related policies and regulations.
- The Global Standard directly supports this objective by providing methodologies to measure financed emissions **which are a key metric for financial institutions' transition risk**
- As a result of emissions assessments, financial institutions can **identify carbon-intensive hotspots** that could be subject to higher transition risk.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Business Goal 3
Develop climate-friendly financial products

Financed emissions inform climate strategies and actions to develop products that support the transition toward net-zero



Triodos Bank

Special mortgage to improve the energy efficiency of houses

Triodos Bank developed a dedicated financial product with a lower interest to customers that renovate their homes and aim to improve energy efficiency (B, A, A+)

beneficial state bank

Funding and affordable financing for clean vehicles

The bank partnered with the State of California to provide grants and affordable financing to help income-qualified Californians purchase or lease a new or used hybrid or electric vehicle

BARCLAYS

Green loan to fund green energy and sustainability projects

Barclays' SME clients can borrow up to £5 million to fund projects with positive climate impact or that help reduce climate impact. Including harnessing and storing solar and wind energy, or upgrading to eco-friendly machinery

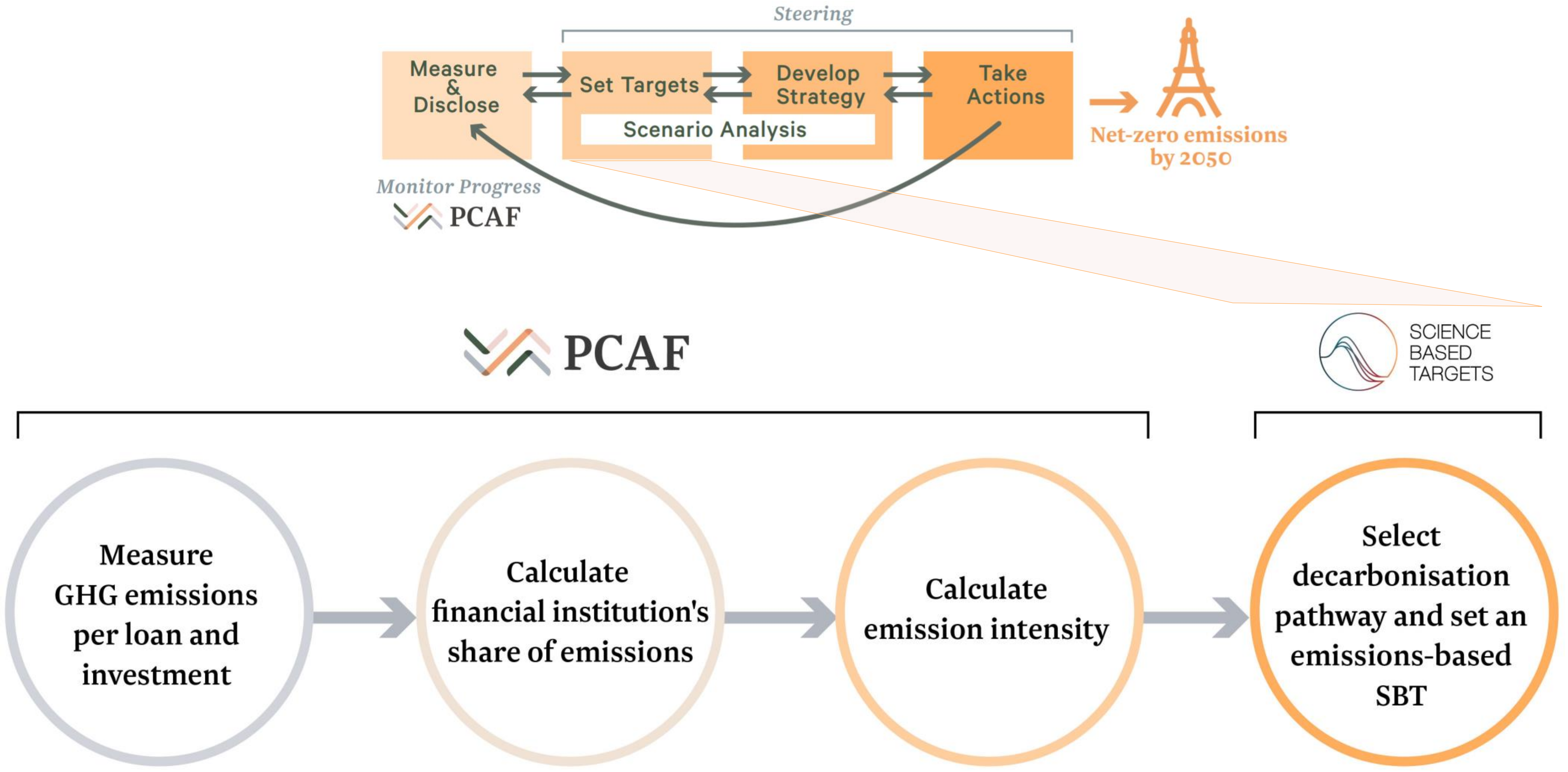
ABN·AMRO

Commercial real estate tools to improve buildings energy efficiency

ABN AMRO enables real estate clients increase the energy efficiency of the buildings and associated carbon emissions. Through its Sustainable Investment Tool, the bank assesses the assets and recommends improvement measures along with special financing offerings

Business Goal 4
Align financial flows with the Paris Agreement

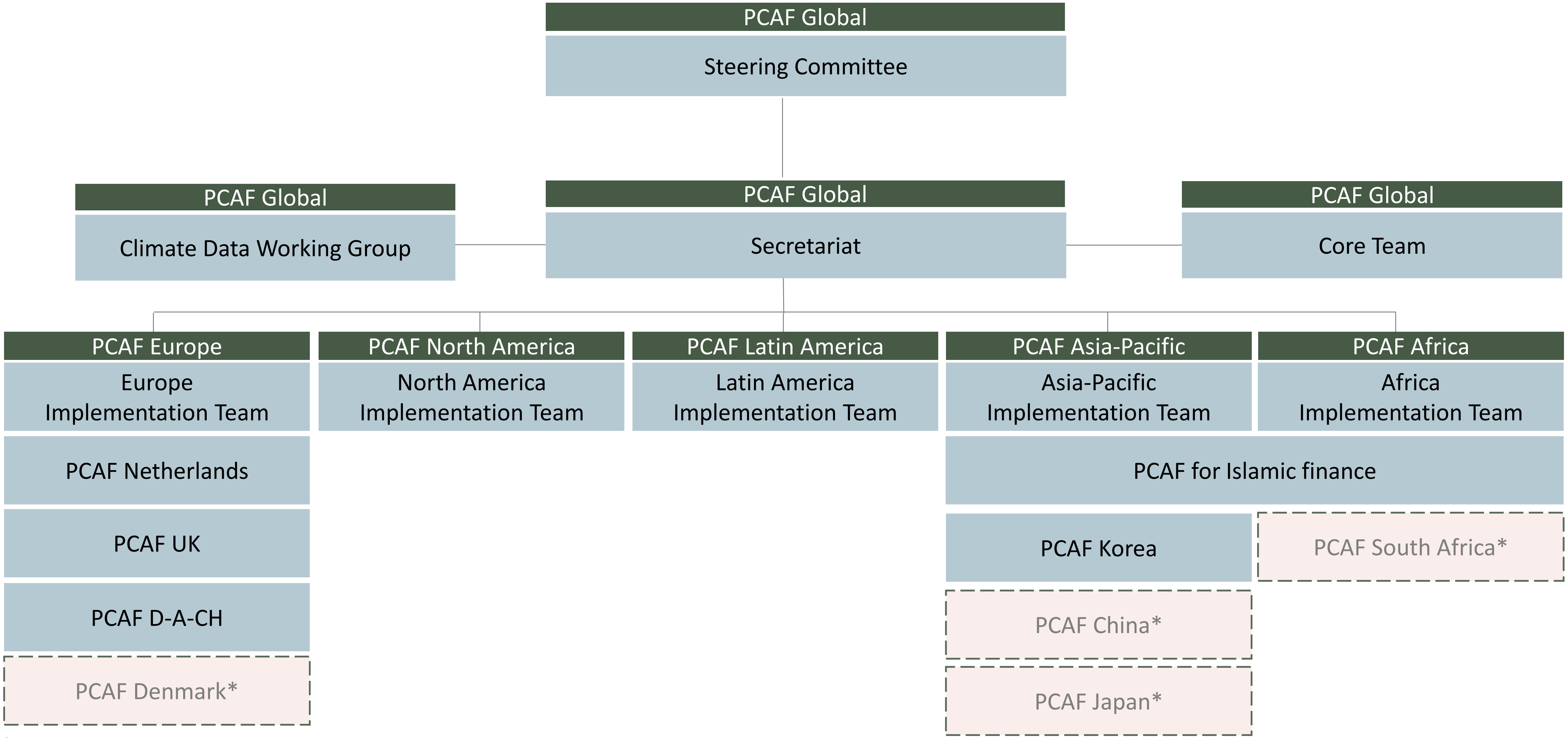
Measuring financed emissions sets the baseline for science based targets using the Science Based Targets Initiative's (SBTi's) methodologies



GHG ACCOUNTING IMPLEMENTATION

PCAF

PCAF drives implementation through regional and national collaborations



PCAF

*Under consideration. Additional national chapters can be created upon demand.

The PCAF Secretariat supports financial institutions through their GHG accounting journey

Technical assistance by the PCAF Secretariat

- Workshops and trainings
- Technical guidance on GHG accounting implementation
- Case studies to showcase participants’ efforts globally
- Emission factor database

More details about the technical assistance are available here.

Participation in PCAF

Financial institutions join PCAF to contribute to transparency and harmonization, as well as to prepare for the future

Why join PCAF?

Transparency	✓ Interact with data providers and clients to understand data quality and approaches used ✓ Manage stakeholders that increasingly demand transparency
Harmonization	✓ Measure consistently to have a better understanding of portfolios climate impact and climate risks
Groundwork	✓ Manage risks, steer on emissions reduction goals and take action based on transparent and harmonized emissions accounting ✓ Prepare for regulation

PCAF participants commit to assess and disclose the greenhouse gas emissions of its financial portfolio

Commitment in short:

Measure and disclose the portfolio GHG emissions within three years of signing the commitment letter (portfolio coverage is up to the institution)

Commitment Letter

All financial institutions involved in the Partnership for Carbon Accounting Financials ("PCAF") subscribed and adhere to the following commitment. By joining PCAF, also our financial institution commits to adhere to this:

Addressing the urgent challenge of climate change, and decarbonizing our economy, is more pressing now than ever. That is why we have committed to measure and disclose the greenhouse gas (GHG) emissions associated with our portfolio of loans and investments within a period of three years using jointly developed carbon accounting methodologies, in order to ultimately enable the alignment of our portfolio with the Paris Climate Agreement.

We want to share and learn from credible carbon accounting practices to find solutions to shared challenges. We hope this will encourage and stimulate the adoption of carbon accounting and target setting in the financial sector on a larger and mainstream scale.

We will contribute to the overall objective of PCAF, which is to secure the public commitment (via signed commitment letters) of at least 100 participating financial institutions globally to measure and disclose the GHG emissions of their loans and investments within a period of three years. Together we will collaborate to achieve transparency and uniformity in carbon accounting.

We acknowledge that our commitment will be recognized on the PCAF website and social media account, as well as at other communication activities such as events where the initiative is showcased.

DOWNLOAD COMMITMENT LETTER


PCAF
Partnership for
Carbon Accounting
Financials
carbonaccountingfinancials.com
info@carbonaccountingfinancials.com
@pcafglobal