

# Global ESG standards and frameworks

Landscape and state of play

*Charlotte Portier, Manager External Affairs*

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1. State of play
2. IFRS
3. EFRAG and ESRS
4. Other regulatory developments influencing disclosures

Information producers →

Information users →



Reporters

Software Providers

Auditors

**Frameworks and Standards\***

Data Providers

Analytics Platforms

End Users

Regulators

Reporters collect, validate, setup internal controls/procedures, involve internal audit, involve external audit, and then publish the information

Software providers and platforms enable filers to collect and report information

Software providers also help standard setters to build taxonomies and information validation pathways

Auditors use standards as criteria against which they provide external assurance, and other related services

*Conceptual frameworks*

*Disclosure topics*

*Disclosure requirements*

Data providers aggregate information and make it available through technology tools

Analytics platforms provide ratings and advanced analysis capabilities

Investors and other stakeholders such as civil society, communities, senior executives, employees, customers, governments and suppliers will consume the available data and analysis

Regulators are increasingly interested in sustainability information, with some moving to mandate it in accordance with standards and some using the information for regulatory purposes

\* **Framework:** A set of principles and guidance for "how" a report is structured; **Standards:** Specific, replicable and detailed requirements for "what" should be reported for each topic

# Global ESG corporate standards and frameworks



**CARBON DISCLOSURE PROJECT (CDP)**

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.



**CLIMATE DISCLOSURE STANDARDS BOARD (CDSB)**

The CDSB is an international consortium of business and environmental NGOs committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital.



**GLOBAL REPORTING INITIATIVE (GRI)**

The GRI mission is to enable organizations to be transparent and take responsibility for their impacts by supporting best practice sustainability reporting,



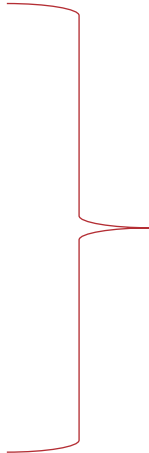
**INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC)**

The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting.



**SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)**

SASB connects businesses and investors on the financial impacts of sustainability through Standards that are *Financially Material, Market Informed, and Industry Specific*.



# STATE OF PLAY



## Trends over the past years

- Increase in demand from stakeholders to understand the connection between sustainability topics and financial risks and opportunities.
- Regulators, standards-setters, and policy makers moving to determine responses.
- Large mainstream investors are increasingly interested into investment decisions and calling for improved disclosures.
- Standards setters and reporting frameworks are working on presenting a coordinated solution.

## Major efforts underway to shape the future of corporate reporting

- January 2020: The **European Commission** is developing its sustainability standards with a focus on double materiality to be launched Q1 2021.
- April 2020: **IOSCO** sets up a taskforce on sustainable finance and commits to support the creation of a global corporate reporting system through collaboration with the IFRS and the standards setters.
- September 2020: The **IFRS Trustees Foundation** issues a consultation on its potential rule to establish a global corporate reporting system.
- September 2020: The **Five Global standards/frameworks setters** issues a shared vision for a global corporate reporting system based on the existing frameworks and disclosures.
- September 2020: The **WEF IBC** publishes its Stakeholders Capitalism Metrics final report.
- December 2020: The **Five Global standards/frameworks setters** publishes the Climate-related financial disclosure standard prototype.
- March 2021: **EFRAG** publishes recommendations for the NFRD.
- October 2021: **EFRAG** publishes Climate Standard Prototype
- November 2021: the **IFRS** launches the ISSB, publishes two standards prototypes and announces convergence with VRF (IIRC/SASB) and CDSB.

# ESG CORPORATE DISCLOSURES ECOSYSTEM

## A global corporate reporting system



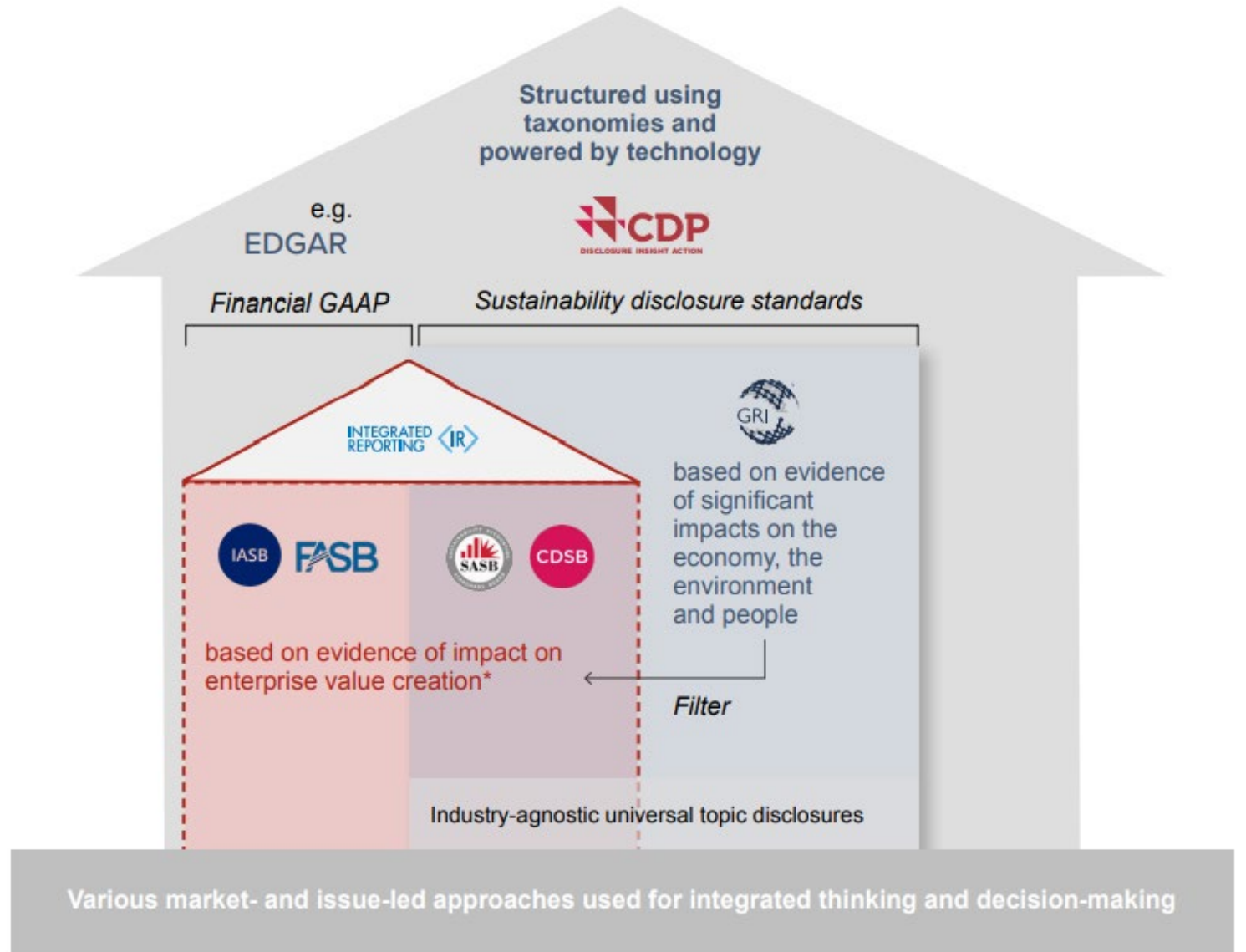
*'A shared vision'*  
September 2020

**Statement of Intent to Work Together Towards Comprehensive Corporate Reporting**

Summary of alignment discussions among leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB

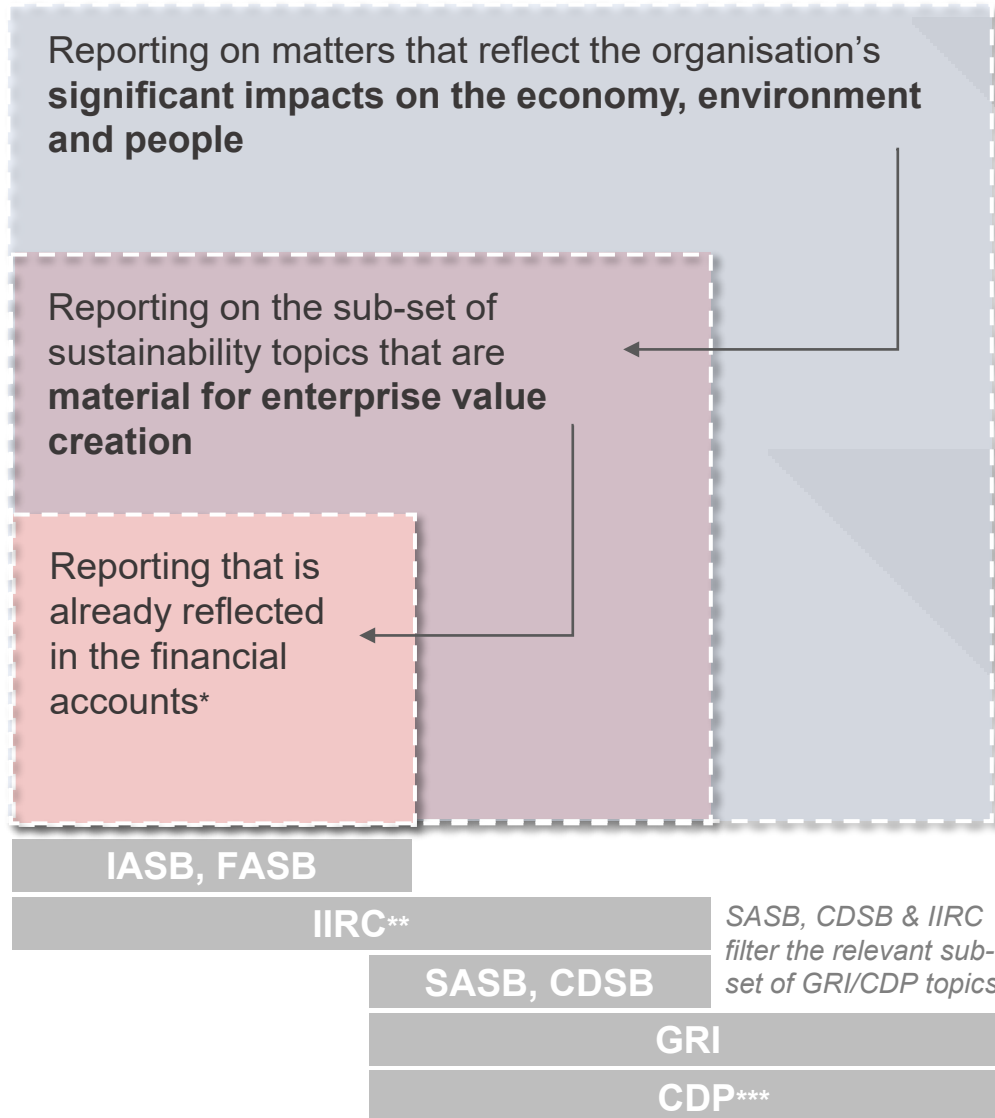
Facilitated by the Impact Management Project, World Economic Forum and Deloitte

September 2020



# A global corporate reporting system

## Distinctive materiality concepts from the Statement of Intent



Structural connectivity of standards enables preparers:

- to engage with consistent sustainability disclosure measures to reduce burden and confusion
- to connect sustainability information with information in the financial accounts

### Notes

\* Including assumptions and cash flow projections

\*\* <IR> Framework focuses on comprehensive value creation of organisations over time, which includes the 6 capitals (financial, manufactured, intellectual, human, social and relationship and natural)

\*\*\* Reflects the scope of the CDP survey, insofar as it functions *de facto* as a disclosure standard for climate, water and forestry, as well as the scope of CDP's data platform

# IFRSF



On 3<sup>rd</sup> of November, the IFRS made 3 announcements at COP:

- The formation of a **new International Sustainability Standards Board (ISSB)** to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs;
- A commitment by leading investor-focused sustainability disclosure organisations; **CDSB and VRF; to consolidate** into the new board by June 2022;
- The publication of **prototype climate and general disclosure requirements** developed by the Technical Readiness Working Group (TRWG)



Four strategic focus areas:

- Investor focus (enterprise value)
- Sustainability scope, starting with climate
- Global baseline
- Building on existing frameworks (incl. TCFD)



# IFRS – Technical Readiness Working Group

## Recommendations for consideration by the ISSB

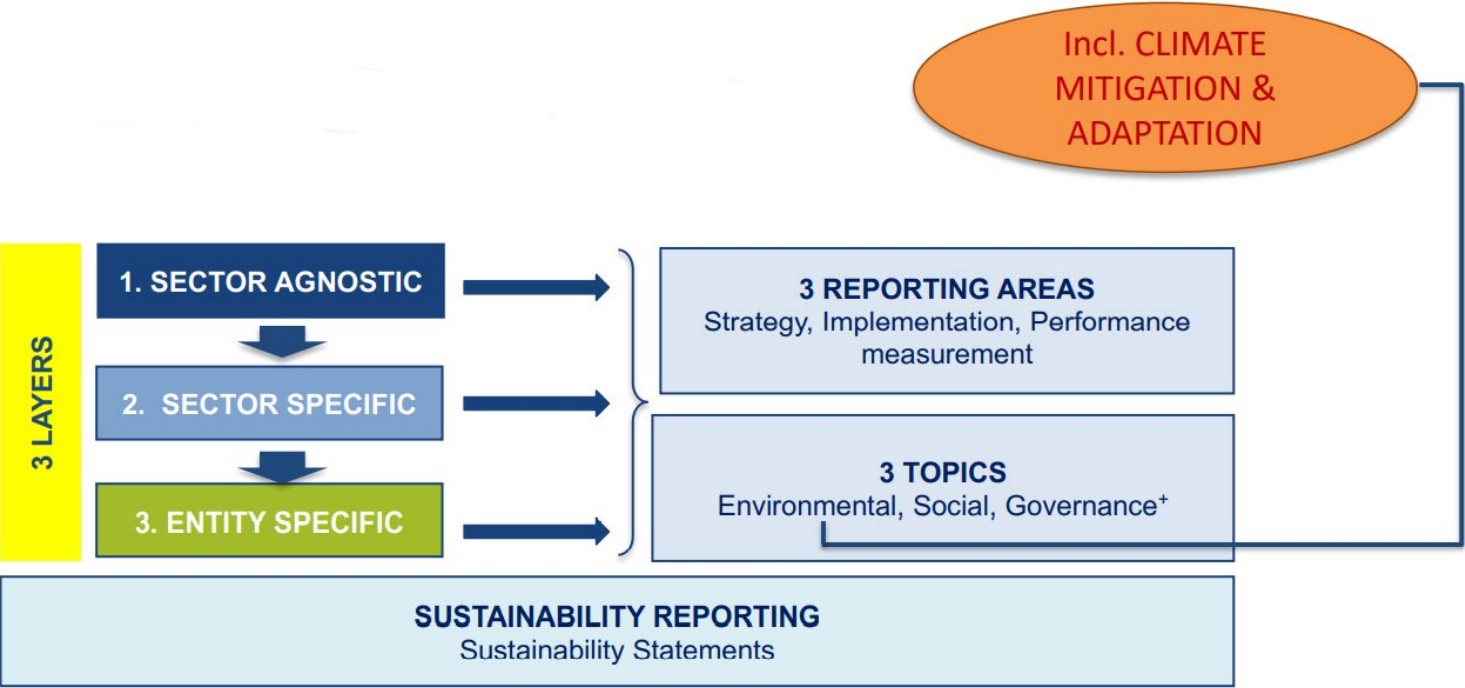
1	Enhanced prototype climate standard
2	Enhanced prototype presentation standard
3	Digitisation strategy
4	Architecture of standards
5	Due process characteristics
6	Conceptual guidelines for standard-setting
7	Connectivity between IASB & ISSB
8	Other items to inform standard-setting agenda

# European Sustainability Reporting Standards (ESRS)



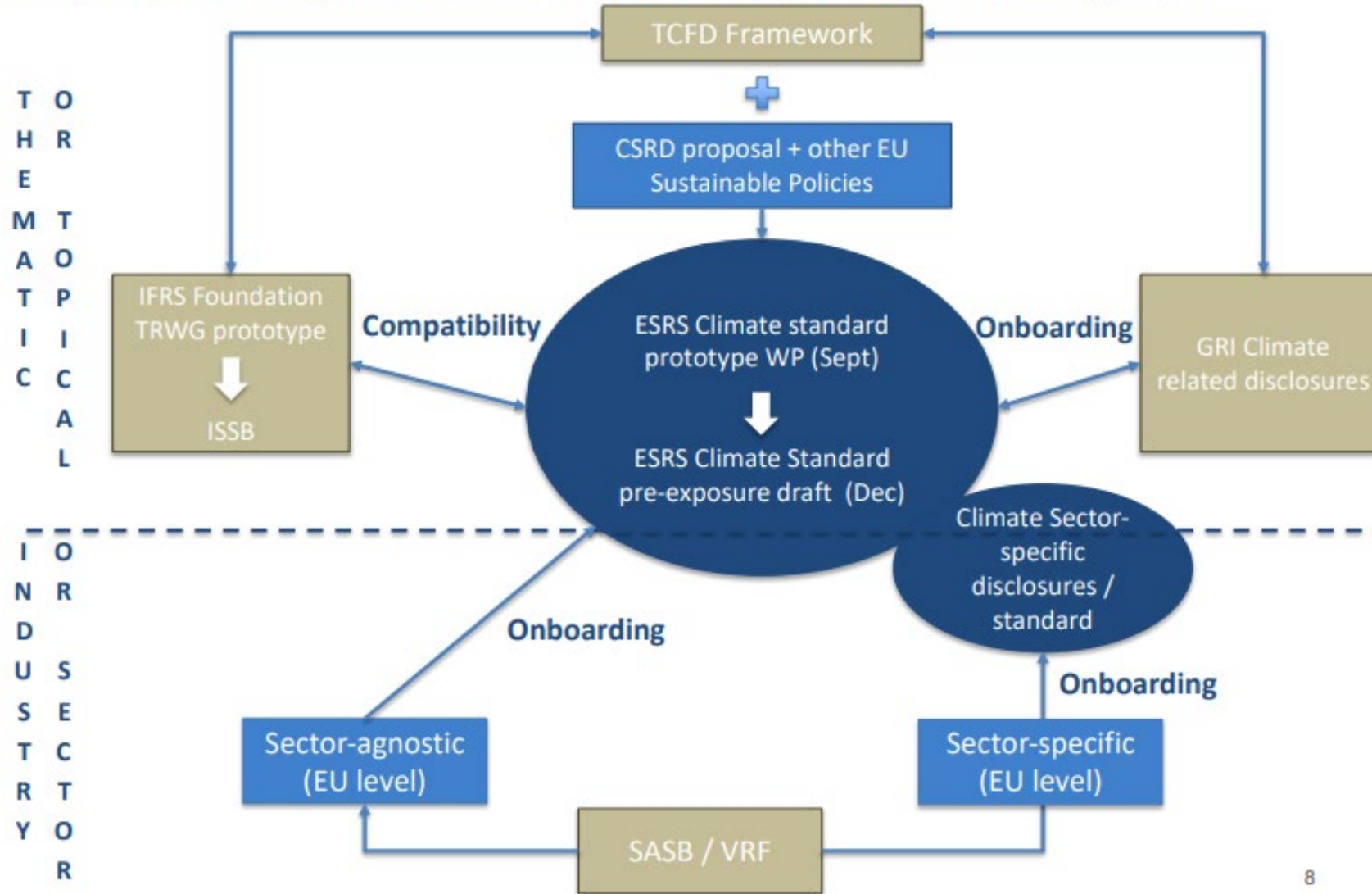
Key messages on 4<sup>th</sup> November at COP:

- Climate as a key element of an EU comprehensive sustainability reporting
- The “Climate Standard Prototype” working paper: an initial step towards high quality climate reporting
- A commitment to international cooperation



# EU commitment to international cooperation

Fully illustrated by the content of the climate prototype working paper



# Other regulatory developments influencing disclosure



- Mandatory reporting regulations: +14 jurisdictions with focus on TCFD
  - At the 2021 Summit, the governments of the G7 countries (plus Australia, India, the Republic of Korea and South Africa) expressed their support for moving towards mandatory climate-related financial disclosures based on the TCFD framework.
- Sustainable finance taxonomies: currently considered in +20 jurisdictions
- Discussions on global corporate dataspace and the role of digitization
- Role of ESG data and scoring providers

# Looking ahead - timelines



- By October 2022: Adoption of 1st set of EU Standards via Delegated Act by the EC
- 17 November: Launch of IMP platform outlining all global standards and frameworks
- By end of 2022: IFRS ISSB Climate Standards

# Resources



- [Sustainability reporting standards interim draft – EFRAG](#)
- [IFRS announcement on 3<sup>rd</sup> November at COP and speech video](#)
- CDP policy brief on mandatory reporting regulations: [Shaping high quality mandatory disclosure - Taking stock and building upon the TCFD recommendations](#)
- CDP policy brief on sustainable finance: [Shaping a Sustainable Financial System: Future-proofing global finance for a net-zero, nature-positive world](#)

**Thank you**



GRI

# **GRI Standards for SDG and Sustainable Finance Reporting**

## **Addressing Investor Needs**

Dr. Allinnettes Adigue

Head, GRI ASEAN Regional Hub

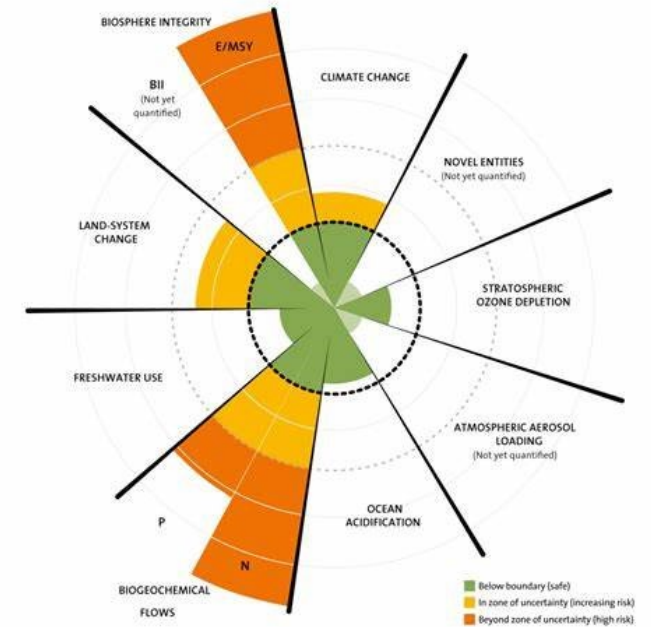
19 November 2021



# What's driving the call for sustainable finance?



- Growing appreciation of planetary boundaries and “[tipping points](#)”
- Greater focus and attention on the reality of climate change
- Move into the “[decade of action](#)” on the SDGs with a focus on the financing gap
- Covid-19 pandemic and how to sustainably fund efforts to “build back better”



## Driving the Need for:

- **Alignment** of public and private financial resources to address these multiple challenges
- Sustainable finance to build social **resilience** as well as develop companies' ability to mitigate current crises and resilience to future crises
- **Growth** of sustainable investing and **sustainable financing models** that incorporate **ESG strategies** and KPI targets/performance at their core



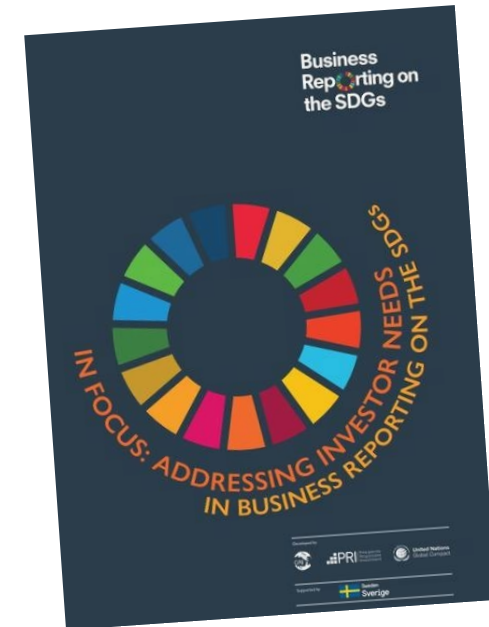
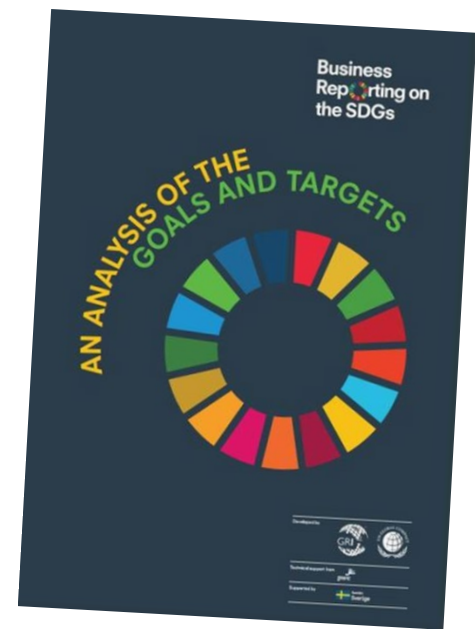
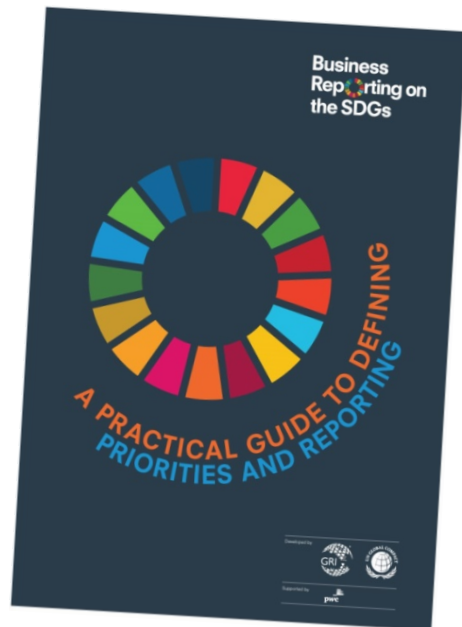
PARIS2015  
UN CLIMATE CHANGE CONFERENCE  
COP21·CMP11



# Sustainable finance needed to fund the SDGs



# Promoting effective and principle-based reporting on the SDGs: three connected guides



# In Focus: Addressing Investor Needs in Business Reporting on the SDGs



- Provides guidance to better align corporate SDG-related disclosures with investors' information needs
- Includes reporting recommendations intending to stimulate more investment in business solutions to help advance the SDGs
- Developed together with PRI and UN Global Compact

# Structure of the Publication

- Section I. Why is it Important for Companies to Provide Relevant SDG Data to Investors?
- Section II. What: Elements of Investor-Relevant Business Reporting on the SDGs
- Section III. Knowing Your Target Audience: Understanding the SDG-Disclosure Demands of Investors

Figure 1. The Context of This Publication



# Business reporting on the **SDGs** enabling sustainable development

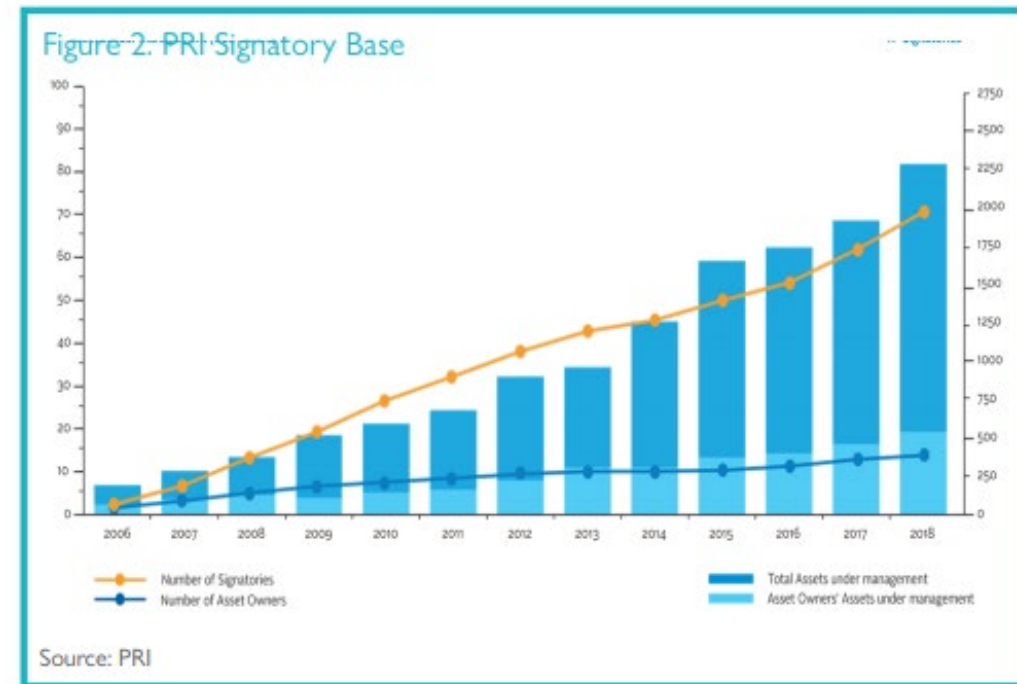


- Investors as Universal Owners
- Fiduciary Duty and ESG



# The Stockholm Declaration and PRI Signatories

The increasing interest in sustainable development and investment



# Elements of Investor-Relevant Business Reporting on the SDGs



## Key recommendations to Develop Investor-Relevant Reporting

<b>Message &amp; Approach</b>	<ol style="list-style-type: none"><li>1. Consistency of message</li><li>2. Integrated approach across financial and SDG reporting</li></ol>
<b>Strategy &amp; Governance</b>	<ol style="list-style-type: none"><li>1. Identify how SDG trends are linked to the key factors driving corporate strategy.</li><li>2. Management approach, policies and their implementation</li><li>3. Indicate how SDG target-related performance is appraised and rewarded.</li></ol>
<b>Report Content</b>	<ol style="list-style-type: none"><li>1. Analysis of risks and opportunities towards the SDGs</li><li>2. Quality and balance</li><li>3. Facilitate forecasts by demonstrating the cause-and-effect relationships that exist between SDG contributions and business performance</li></ol>
<b>Data Format</b>	<ol style="list-style-type: none"><li>1. Provide data that is standardized and comparable across time and companies, utilizing internationally recognized disclosure standards</li><li>2. Link to data in raw form and allow analysts to choose how to normalize it</li></ol>



# Knowing Your Audience



	Company perspective	Investor perspective	
		Screening / Integration	Engagement
Understand & prioritize SDGs	<p>Explain why SDGs are relevant</p> <p>Engage stakeholders</p> <p>Set baseline, objectives &amp; targets</p>	<p>Establish and communicate criteria for screening / integration</p>	<p>Direct engagement with company</p>
Set objectives / benchmarks	<p>Benchmark with peers</p> <p>Identify new business opportunities</p>	<p>Identify what insights are sought after based on mandates, investment strategies and beliefs</p>	<p>Establish and communicate clear ground rules to evaluate the success of engagement</p>
Report	<p>Describe management systems</p> <p>Tie real world impact into business strategy</p>	<p>Understand investee management systems in place for SDGs and assess its fitness</p> <p>Explore measuring SDG-related investment impact across portfolios</p>	
Use of SDG information	<p>Use report to engage with investors on results, implement change and as input for next reporting cycle</p> <p>Act on new business opportunities</p>	<p>Compare results of reporting entities with their peers</p> <p>Normalize &amp; interpret data to inform investment decisions</p>	<p>Use the report as means to discuss progress periodically</p> <p>Identify innovative investment solutions to advance the SDGs</p>

**THANK YOU**



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

 [global-reporting-initiative-gri](https://www.linkedin.com/company/global-reporting-initiative-gri)

 [@GlobalReportingInitiative](https://www.facebook.com/GlobalReportingInitiative)

 [@GRI\\_Secretariat](https://twitter.com/GRI_Secretariat)



# Partnership for Carbon Accounting Financials

Enabling financial institutions to  
assess and disclose financed  
emissions

TCFD & SDGs Workshop

18<sup>th</sup> November 2021

# Agenda



**01** | Introduction to PCAF

**02** | The value of measuring financed emissions

**03** | GHG accounting implementation

**04** | Participation in PCAF

# Introduction to PCAF

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



## Global Steering Committee



Morgan Stanley



UN-convened Net-Zero Asset Owner Alliance



Triodos Bank



“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.”

# 174 financial institutions in 48 countries are part of PCAF, representing more than \$55+ trillion 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**

Check the full list of PCAF participants [here](#)

# The GLOBAL GHG ACCOUNTING & REPORTING Standard

FOR THE FINANCIAL INDUSTRY



## Listed Equity and Corporate Bonds

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

EVIC = enterprise value including cash



## Business Loans and Unlisted Equity

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

EVIC = enterprise value including cash



## Project Finance

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

### GHG accounting for six asset classes



## Commercial Real Estate

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



## Mortgages

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

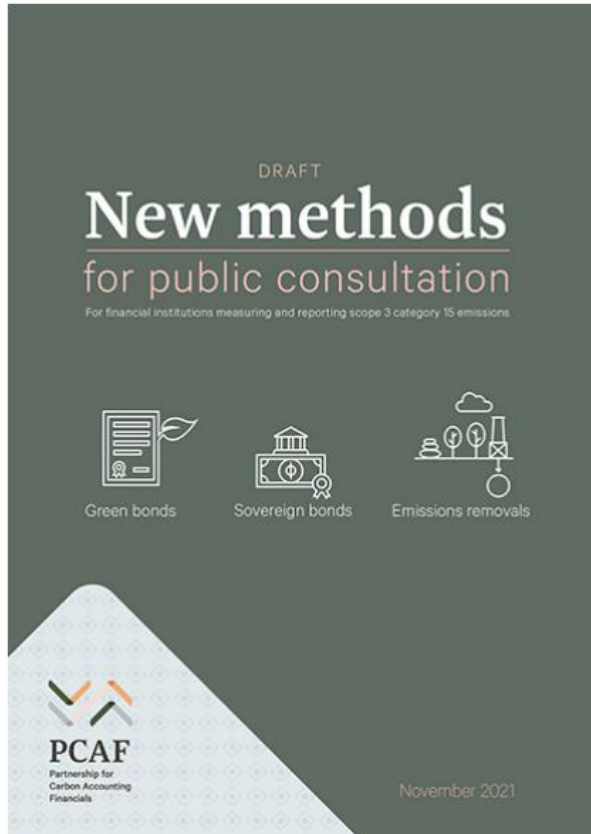


## Motor Vehicles Loans

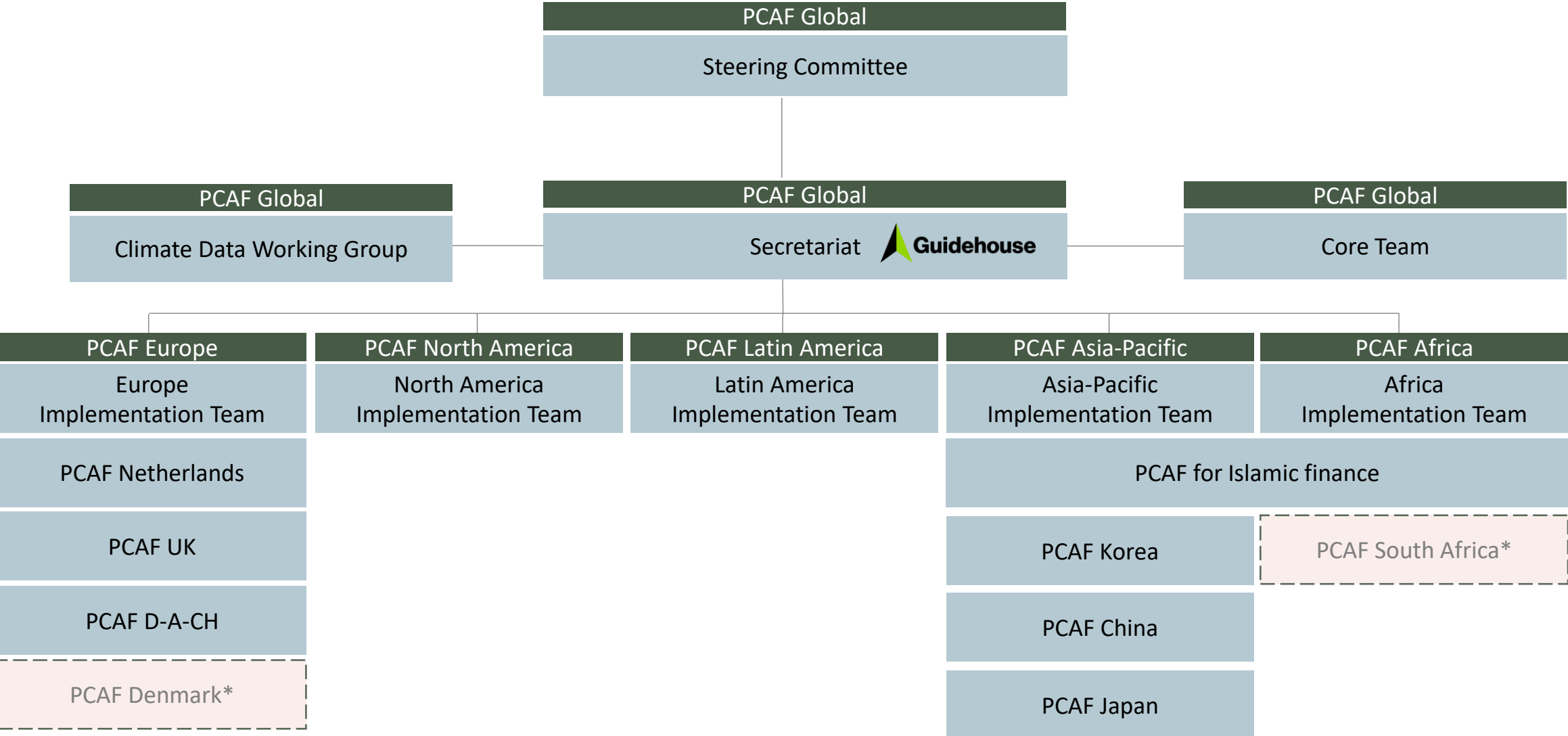
$$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Vehicle emissions}$$



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



# PCAF drives implementation through regional and national collaborations



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

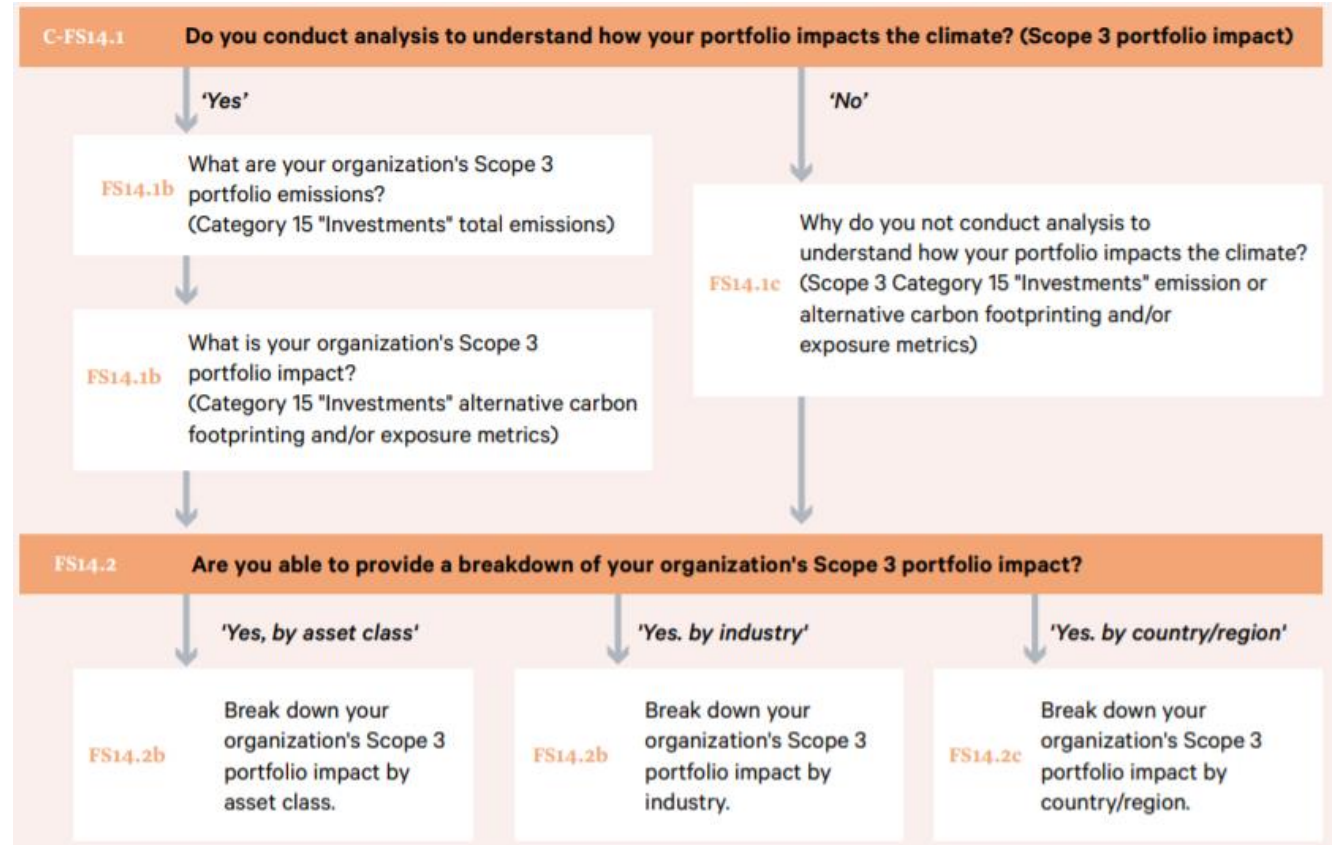
# The value of measuring financed emissions

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



# 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



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



TCFD officially recommends that banks, asset owners and asset managers measure and disclose financed emissions in line with the PCAF Standard

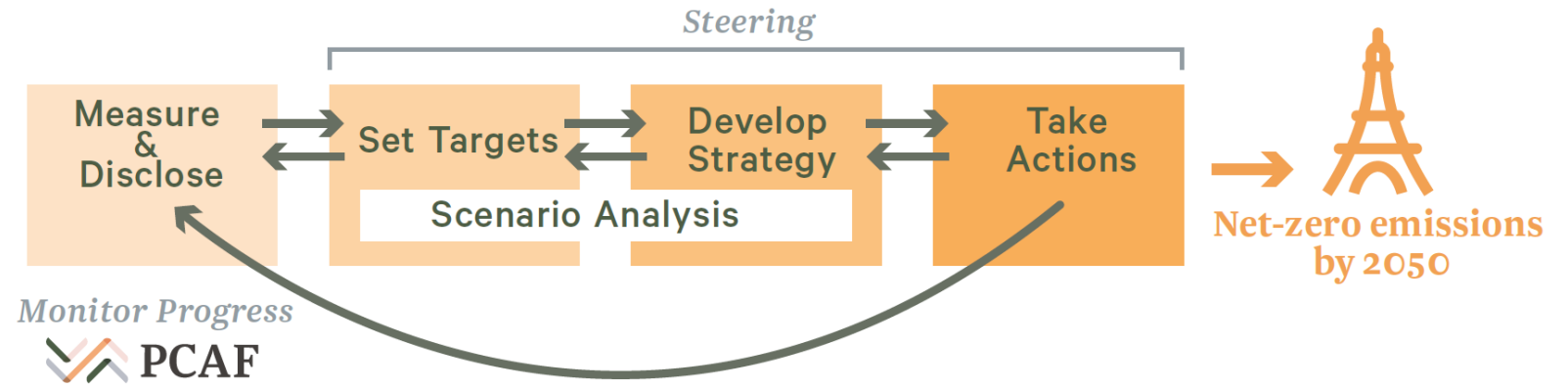
- One of the goals of the TCFD framework is to **measure and disclose the transition risks** posed to organizations by climate-related policies and regulations.
- The Global Standard directly supports this objective by providing methodologies to measure financed emissions **which are a key metric for 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.



# The Paris Alignment journey towards net zero consists of five interactive steps



[DOWNLOAD THE STRATEGIC FRAMEWORK \(PDF, 2.1 MB\)](#)



- **Paris alignment** is the process by which financial institutions **reorient their financial flows** away from activities inconsistent with the Paris Agreement and **scale up consistent decarbonization activities**
- This process must be done in line with the required **speed and volume established by climate science**

# PCAF is the only climate initiative that supports measurement of Financed Emissions

Existing collaborative climate initiatives supporting FIs on climate actions										
For whom?		as of April 2021								
B Banks	I Investors	B I Banks & Investors	◆ Focus of Initiative	High-level Commitment to Act	Measurement of Financed Emissions	Target Setting	Scenario Analysis	Strategy Development	Taking Actions	Disclosing
B				◆						
B				◆						
	I			◆						
B I				◆						
B I					◆					
	I					◆				
	I					◆				
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	I								◆	
B I										◆




# GHG accounting implementation

# Emissions are attributed to financial institutions based on robust and consistent accounting rules

GHG accounting for financial institutions is the annual accounting and disclosure of GHG emissions associated with loans and investments at a fixed point in time in line with financial accounting periods.

$$\text{Portfolio GHG Emissions} = \sum_i \frac{\text{Outstanding amount}}{(\text{Equity} + \text{Debt})_i} \times \text{GHG Emissions}_i$$

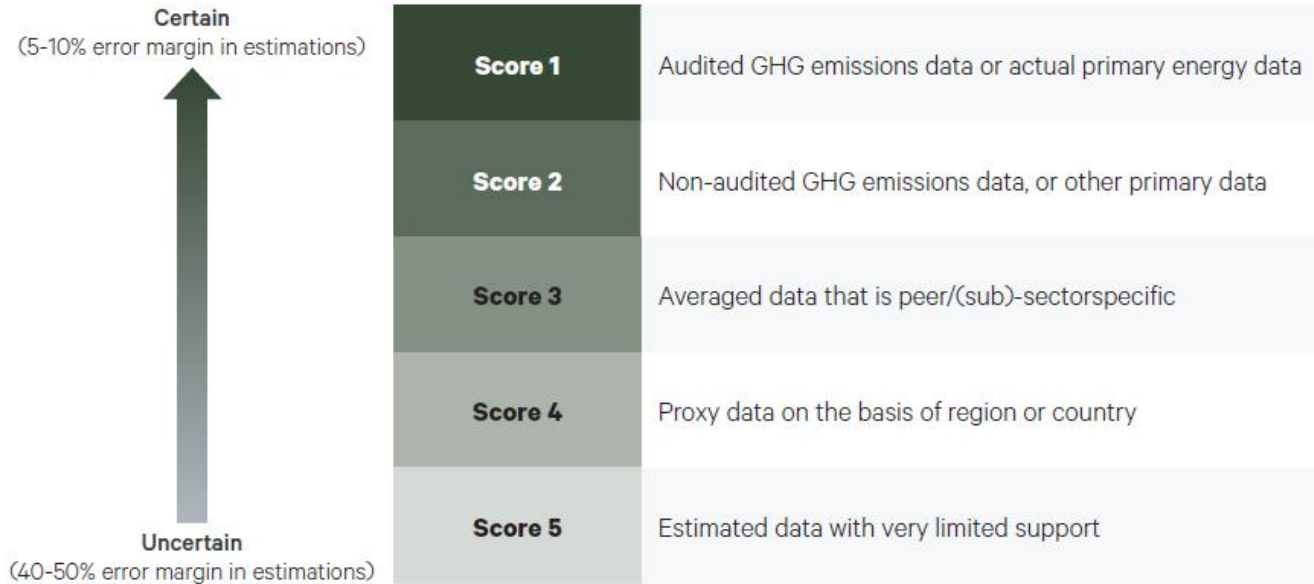
  
Attribution factor

i = borrower or investee

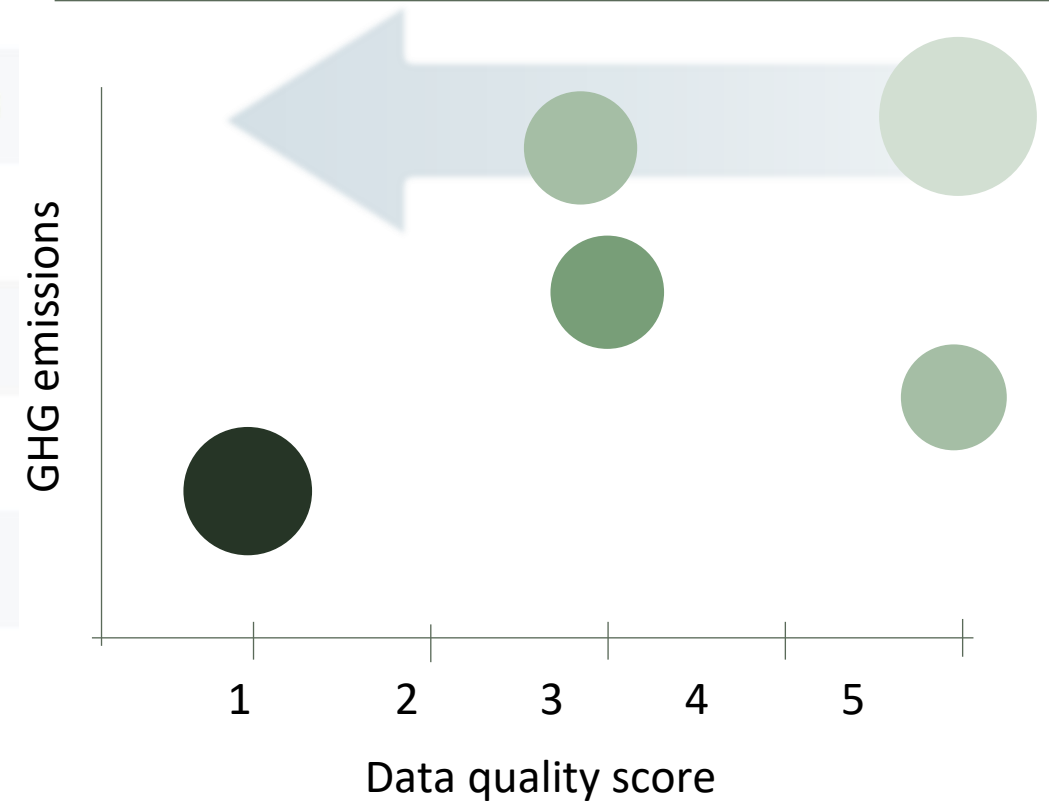
- The equation above is general and is **applied for each asset class** in a financial institution's portfolio
- The **attribution factor** is used to show the financial institution's share of the borrow or investee's emissions
- A borrower or investee is a general term and could represent a **company, property, project or motor vehicle** (depending on the asset class)

# The Standard addresses data quality issues and advises on which data can give the most robust results for each asset class

## Data quality scoring from 1 to 5....



...enables financial institutions to develop a strategy to improve data over time



# Participation in PCAF

# Joining PCAF also brings multiple additional benefits



**PCAF**

Partnership for  
Carbon Accounting  
Financials

## Network expansion

- Investors, banks and experts globally
- Link to SBTi-FIs, UNEP FI's NZAOA, NZBA, GFANZ, TCFD and CDP

## Decision-making authority

- The Global GHG Accounting and Reporting Standard (when joining the PCAF core team)
- Local-tailored guides
- Best practices

## Leadership recognition

- Global and regional events on climate finance
- Social media via PCAF marketing channels

## Technical support

- Workshops and trainings
- Technical guides and case studies
- Access to PCAF emission factor database

# The PCAF Secretariat supports financial institutions through their GHG accounting journey

## Technical assistance by the PCAF Secretariat

- Workshops and trainings
- Guidance on GHG accounting implementation
- Case studies to showcase participants' efforts globally

*More details about the technical assistance are available [here](#).*

# 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](https://carbonaccountingfinancials.com)

| [info@carbonaccountingfinancials.com](mailto:info@carbonaccountingfinancials.com)

| [@pcafglobal](https://twitter.com/pcafglobal)



# PCAF's open-source database enables financial institutions to start with GHG accounting at asset class level

The screenshot shows the PCAF emission factor database interface. At the top, there's a navigation bar with 'main' and 'logs' links. Below it, the title 'PCAF emission factor database' is displayed. A 'Tool bar I' at the bottom left includes page selection (1, 2, ..., 11, ..., 51, ..., 101, ..., 646), an 'Add new' button, a 'Refresh' button, and 'Export' and 'Print' options. A 'Tool bar II' at the top right features a 'Quick search' input field and icons for search, filter, sort, and page settings. A central callout box labeled 'Administration hub' points to the top navigation area, indicating it contains information on defined data lists, change tracking (logs), and user info. Another callout box labeled 'Database' points to the main table, stating it provides an overview of all emission factors, with rows representing individual factors and columns representing specific information.

Actions	Id	Region	Country	Asset Class	Emission Type	Sector	Subsector	Subsubsector	Functional Unit Of Emission Factor 1	Functional Unit Of Emission Factor Description	Functional Unit Of Emission Factor 2	Emission Factor Unit	Quality Of Emission Factor	Scope 1 Emission Factor	Scope 2 Emission Factor	Scope 3 Emission Factor	Generic Emission Factor
<input type="checkbox"/>	1	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Paddy rice	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	n.a.	n.a.	n.a.	n.a.
<input type="checkbox"/>	2	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Wheat	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	657.516	14.591	70.802	n.a.
<input type="checkbox"/>	3	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Cereal grains nec	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	608.732	11.222	51.664	n.a.
<input type="checkbox"/>	4	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Vegetables, fruit, nuts	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	156.161	22.807	59.742	n.a.
<input type="checkbox"/>	5	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Oil seeds	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	467.437	5.764	50.188	n.a.
<input type="checkbox"/>	6	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Sugar cane, sugar beet	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	350.350	3.487	22.657	n.a.
<input type="checkbox"/>	7	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Plant-based fibres	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	72.570	19.029	408.804	n.a.
<input type="checkbox"/>	8	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Crops nec	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	140.065	0.079	0.363	n.a.
<input type="checkbox"/>	9	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Cattle	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	4,782.990	41.529	288.078	n.a.
<input type="checkbox"/>	10	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Pigs	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	349.107	15.800	179.814	n.a.
<input type="checkbox"/>	11	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Poultry	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	214.644	31.658	275.109	n.a.
<input type="checkbox"/>	12	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Meat animals nec	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	2,858.460	77.214	576.044	n.a.
<input type="checkbox"/>	13	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Animal products nec	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	2,505.400	109.248	807.890	n.a.
<input type="checkbox"/>	14	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Raw milk	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	1,701.330	2.229	16.272	n.a.
<input type="checkbox"/>	15	Europe	Austria	Listed/private equity & Corporate bonds/loans & project finance	Emissions	Agriculture, hunting, forestry & fishing	Wool, silk, worm cocoons	n.a.	Revenue	Revenue generated per year	ME	ICO2a/ME	Medium	0.307	0.001	0.010	n.a.

## Characteristics

- Free access for PCAF participants
- Transparent
- Editable and thus extendable through “authorized” users
- Comprehensive with as many geographies, asset classes & sectors as possible
- Includes data quality score card

# Decarbonization and Opportunities in Sustainable Finance

# Decarbonization and Opportunities in Sustainable Finance

*Monica Bae*

*Senior Manager, Capital Markets*

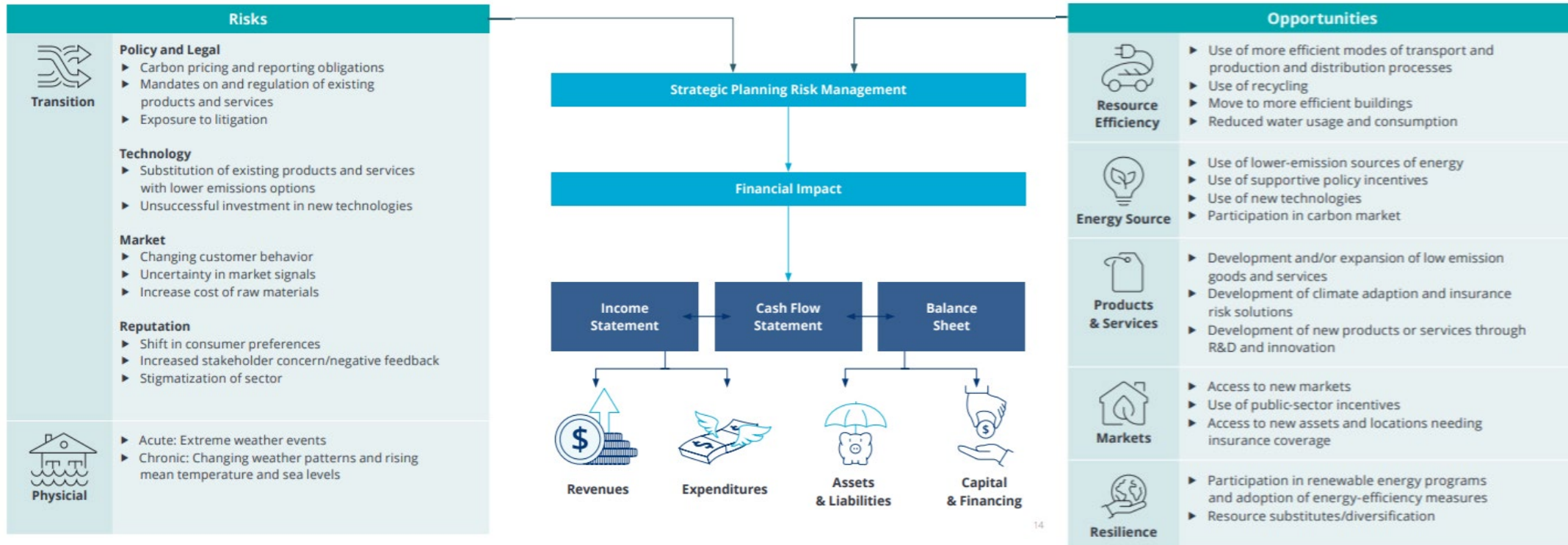


# TCFD and Climate Risk Disclosures

# TCFD: Task Force on Climate-Related Financial Disclosures



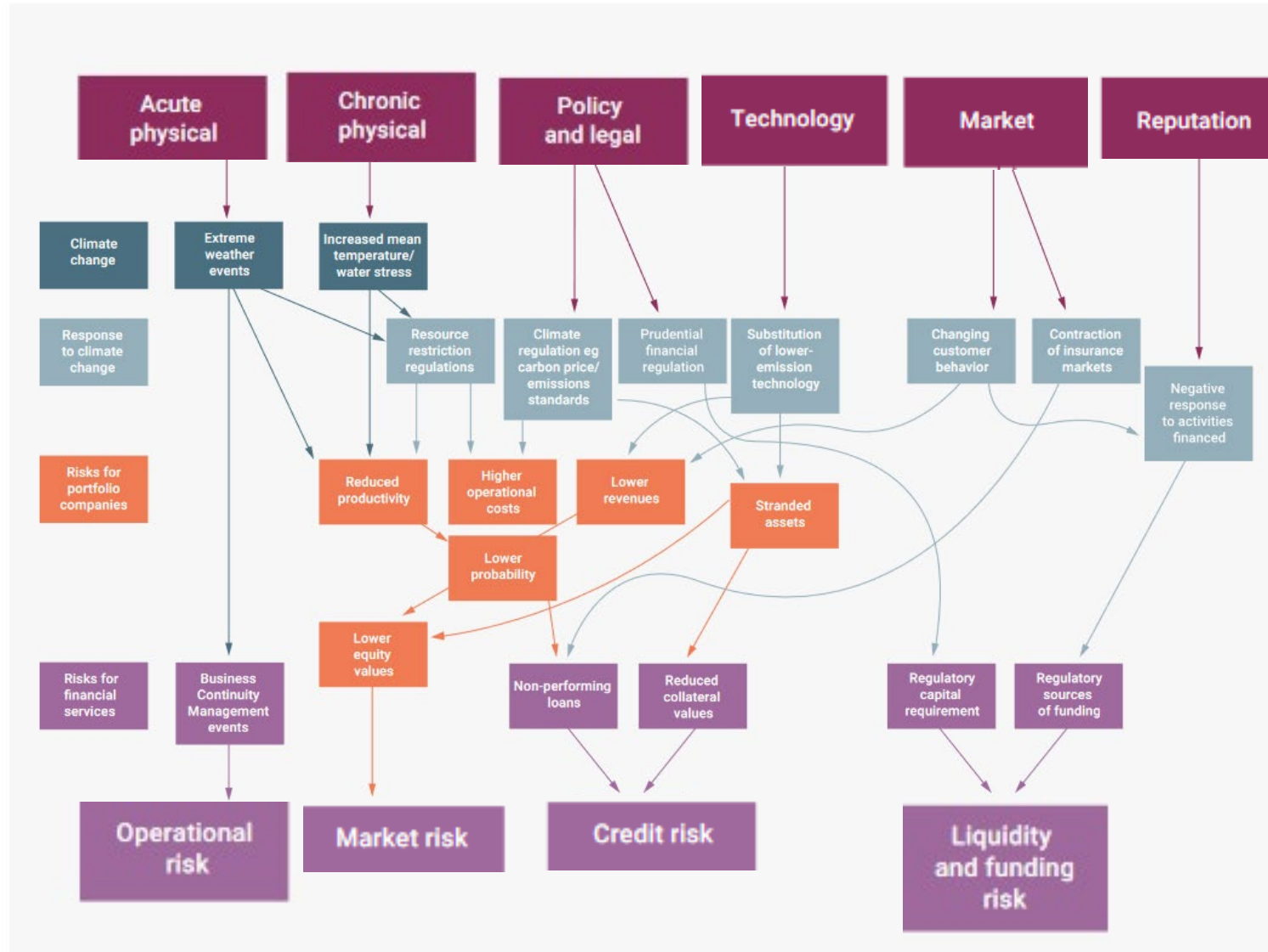
- Governance**  
The organization's governance around climate-related risks and opportunities
- Strategy**  
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
- Risk Management**  
The processes used by the organization to identify, assess, and manage climate-related risks
- Metrics and Targets**  
The metrics and targets used to assess and manage relevant climate-related risks and opportunities



# What are the risks?

And what do the experts say are the impacts?

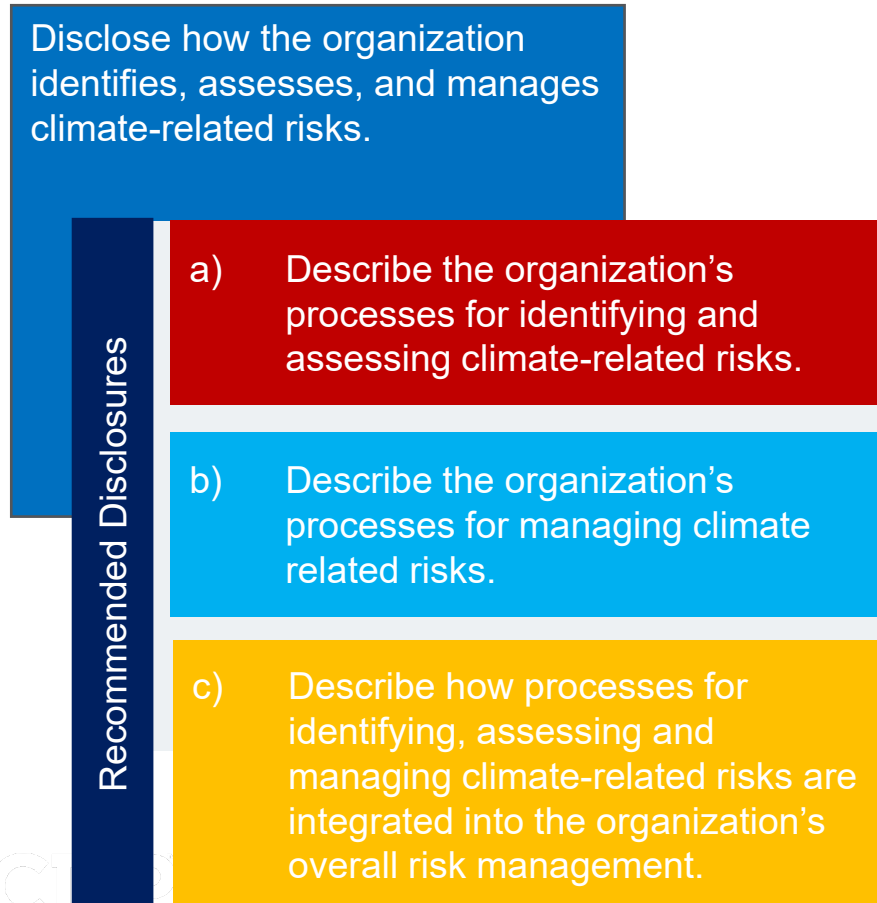
Examples of climate-related risks for financial institutions



# Climate-related risks and in TCFD Disclosures & CDP Questionnaire

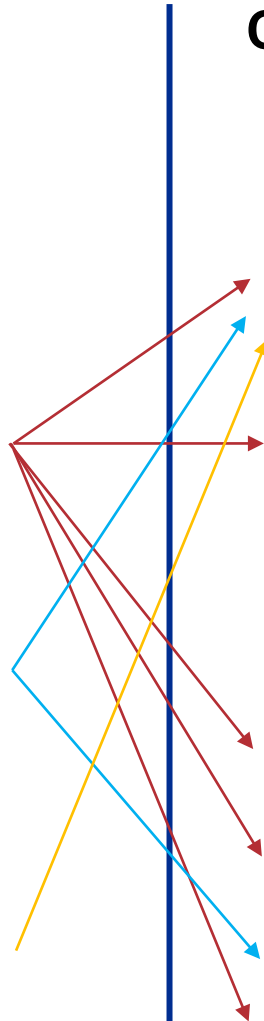


## TCFD: Risk Management



## CDP Questionnaire 2021

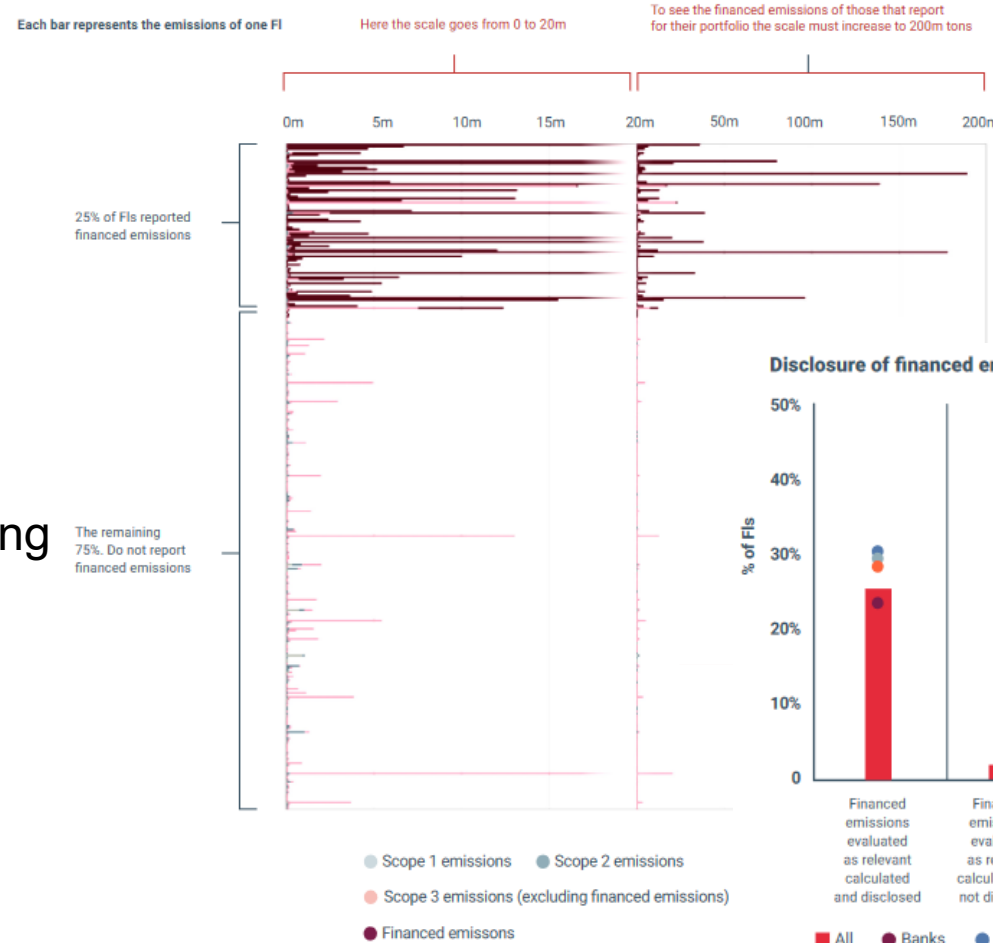
Question No.	Question Text
<b>General Questions</b>	
C2.2	Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.
C2.2a	Which risk types are considered in your organization's climate-related risk assessments?
C2.2g	Why does your organization not have a process in place for identifying, assessing, and responding to climate-related risks and opportunities, and do you plan to introduce such a process in the future?
<b>Financial Services Sector Questions</b>	
C-FS2.2b	Do you assess your portfolio's exposure to climate-related risks and opportunities?
C-FS2.2c	Describe how you assess your portfolio's exposure to climate-related risks and opportunities.
C-FS2.2f	Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?



# CLIMATE RISK: FINANCIAL SECTOR

- ▼ TCFD and Financial Disclosures
- ▼ Portfolio Impacts and risk disclosure
- ▼ SBT and Transition Planning

## Disclosed emissions by scope (metric tons CO<sub>2</sub>e)



**Only 25% of disclosing financial institutions report financed emissions.**

**For those 25% on average, reported financed emissions are over 700x larger than reported operational emissions.**

## Disclosure of financed emissions

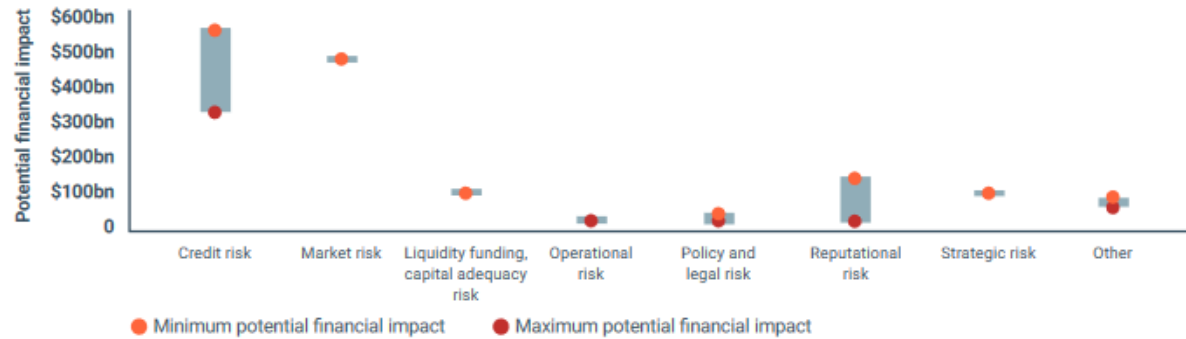




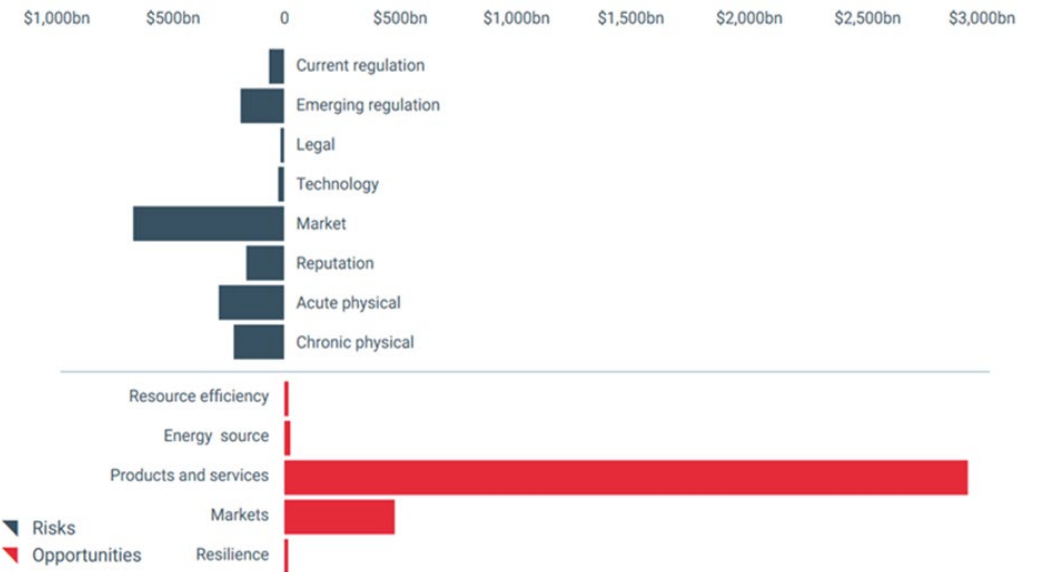
# CLIMATE RISK: FINANCIAL SECTOR

## Risk Disclosures, CDP 2020

Climate-related risks categorized by financial services classification

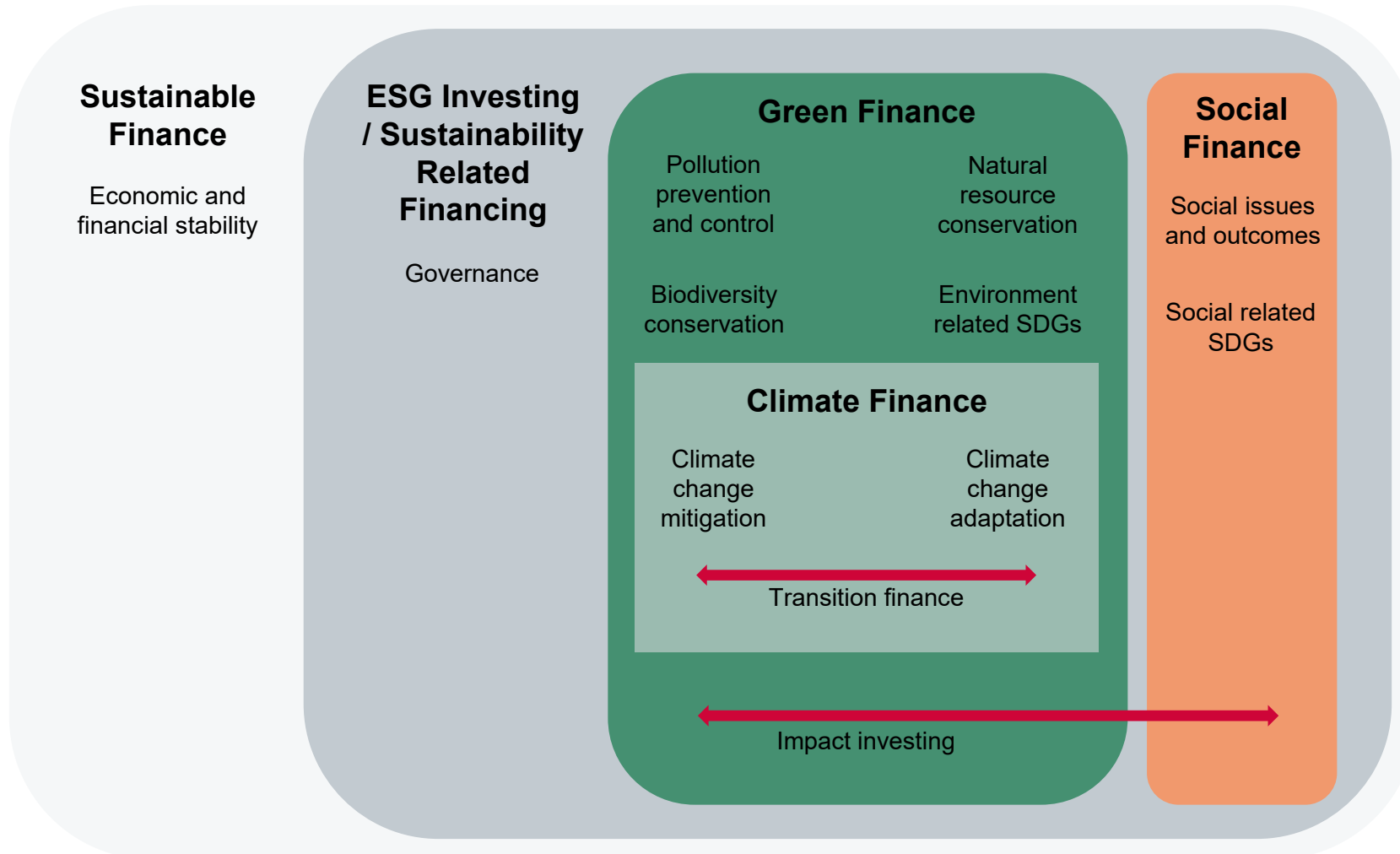


MAXIMUM POTENTIAL FINANCIAL IMPACT



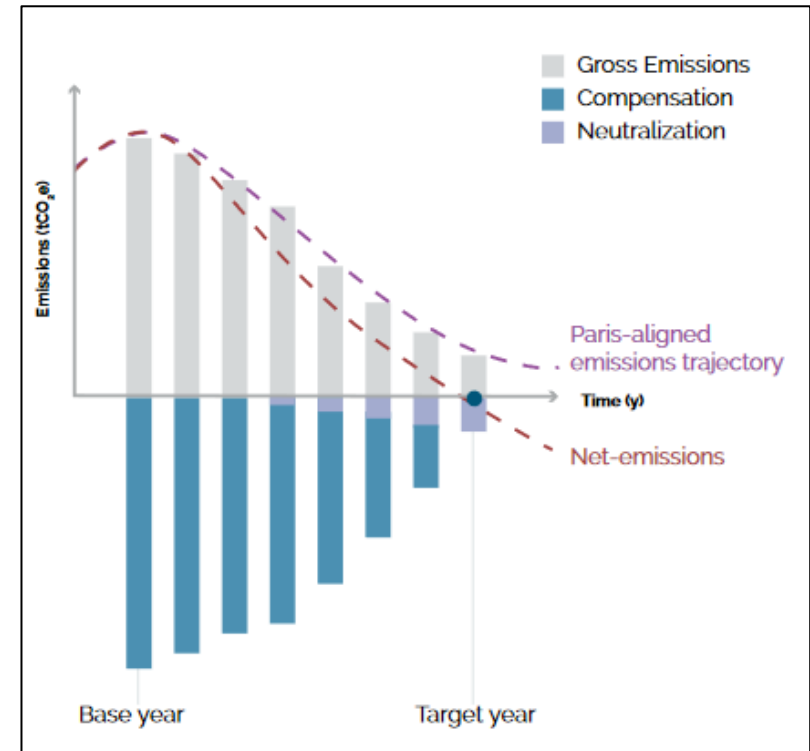
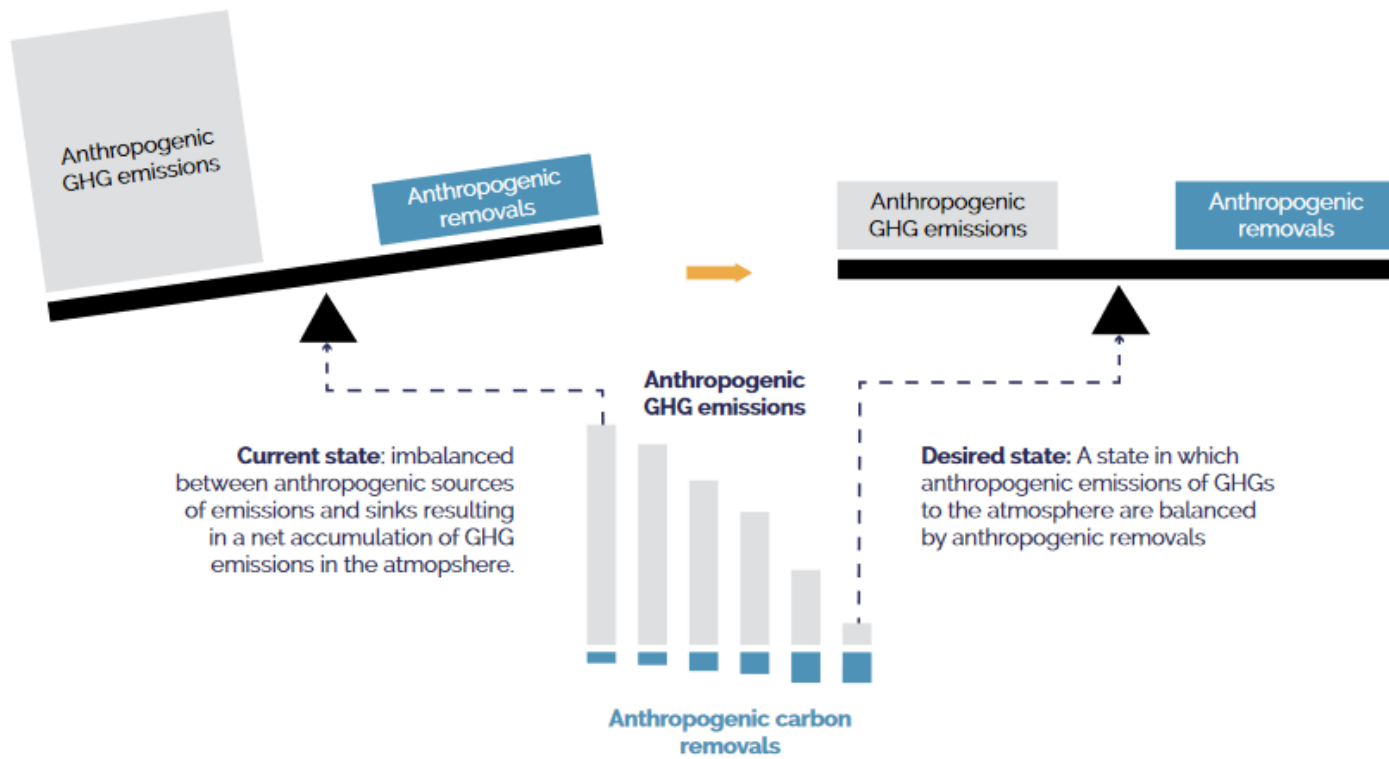
# Translating Risk to Sustainable Finance Opportunities

# Definition of Sustainable Finance



Source: Adapted from International Capital Market Association, "Sustainable Finance High-level definitions"

# NET ZERO

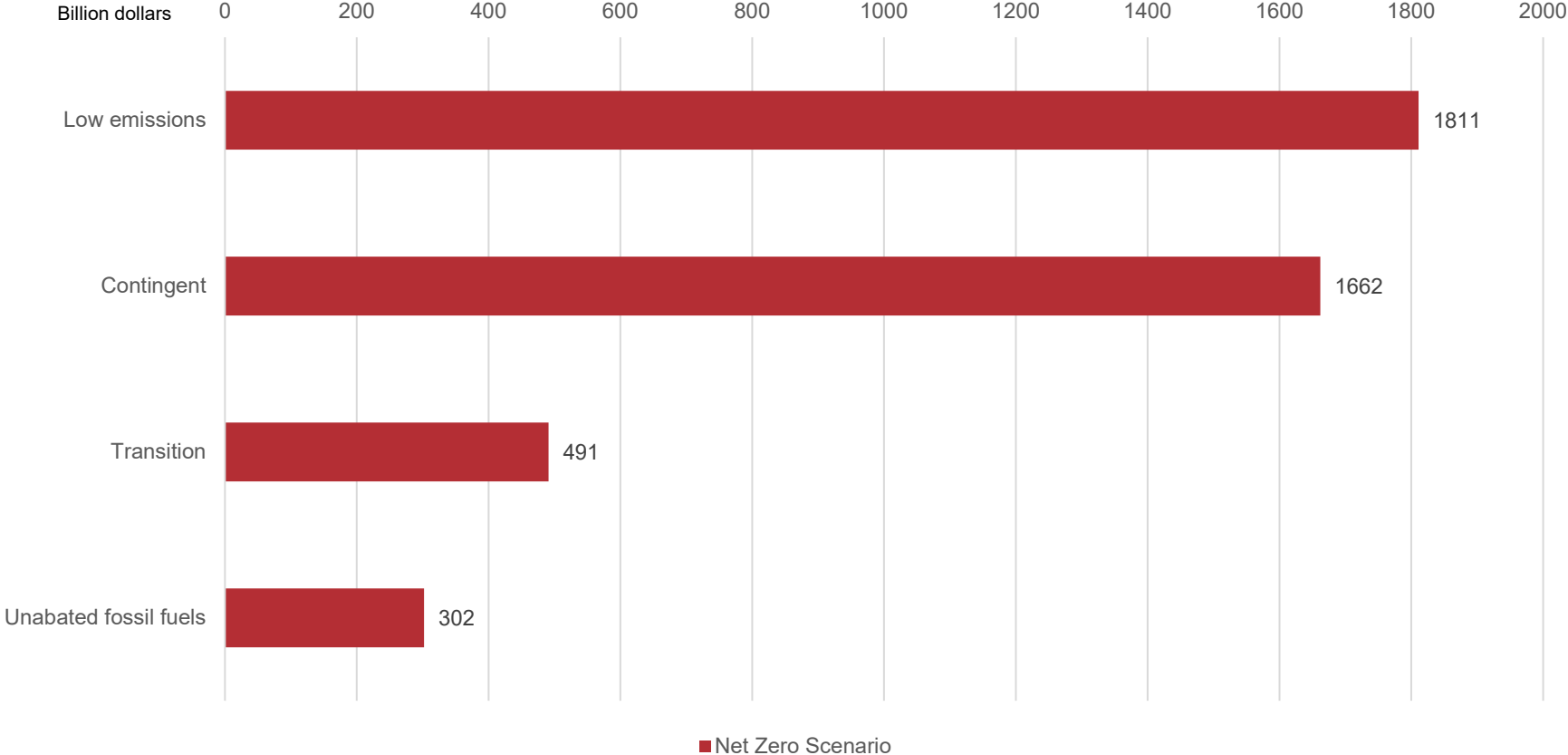


# Funding Decarbonization



Annual increase of **USD 4 trillion** clean energy transition-related investment from current level by 2030 is needed for to achieve net zero emissions by 2050

Average annual energy investment by emissions reduction potential by Net-Zero scenario, 2022-2030



# STOXX® Global Climate Change Leaders Index



The STOXX Global Climate Change Leaders Index is based on the CDP 'A list' database. Fully transparent and tailored solution to address long-term climate risks.



As of Oct. 29, 2021, EUR, gross return  
Source: stoxx.com

# Green and Sustainability-Linked Principles



		Green Bond Principles	ASEAN Green Bond Standards	Green Loan Principles
Core Components	Use of proceeds	TCFD: Strategy: Disclosures, b		
		CDP: C2 – Risks and opportunities, C3 - Business strategy, C12 – Engagement		
	Process for project evaluation/ selection	TCFD: Governance: Disclosures, b; Strategy: Disclosures, a, b; <b>Risk Management: Disclosures, a, b, c</b>		
		CDP: C1 – Governance, C2 – Risks and opportunities, C3 - Business strategy, C4 - Targets and performance		
	Management of proceeds	TCFD: Not aligned		
CDP: C12 – Engagement				
Reporting	TCFD: Strategy: Disclosures, b; Metrics and Targets: Disclosures, a			
	CDP: C2 – Risks and opportunities, C3 - Business strategy, C4 - Targets and performance, C9 – Associated metrics, C12 – Engagement			
Recommendations	Green Bond Frameworks	TCFD: Strategy: Disclosures, b	Not applicable	
		CDP: C2 – Risks and opportunities, C3 - Business strategy, C12 – Engagement		
	Review/external review	TCFD: Not aligned		
		CDP: C1 – Governance, C10 Verification		

		Sustainability-Linked Bond Principles	Sustainability-Linked Loan Principles
Core Components	Selection of KPIs	TCFD: Strategy: Disclosures, a, b, c; Risk management: Disclosures, c; <b>Metrics and targets: Disclosures, a, b, c</b>	
		CDP: C2 – Risks and opportunities, C3 - Business strategy, C4 - Targets and performance, C6 – Emission Data, C9 – Associated metrics	
	Calibration of SPTs	TCFD: Strategy: Disclosures, a, b, c; <b>Metrics and targets: Disclosures, a, b, c</b>	
		CDP: C2 – Risks and opportunities, C3 - Business strategy, C4 - Targets and performance, C6 – Emission Data, C9 – Associated metrics	
	Loan Characteristics	TCFD: Strategy: Disclosures, b	
		CDP: C2 – Risks and opportunities, C3 - Business strategy	
Reporting	TCFD: Metrics and targets: Disclosures, a, b, c		
	CDP: C3 - Business strategy, C4 - Targets and performance, C5 – Emissions Methodology, C6 – Emission Data, C9 – Associated metrics, C12 – Engagement		
Verifications	TCFD: No alignment		
	CDP: C1 – Governance, C10 Verification		

# Case studies in Asia ~Sustainability Linked Loan~



2020 CC (StarHub)



## Malaren International (CIMB Bank)



- Marlen International is the subsidiary of StarHub Group, a leading Singapore homegrown provider of communications, information and entertainment services.
- RM270 million sustainability-linked term loan facility agreement (Execution date of agreement is September 18, 2020)
- CIMB will grant a rebate against the loan interest based on StarHub's performance in its annual CDP Climate Change Scores from FY2021 to FY2023

2020 CC



## ASICS (Sumitomo Mitsui Trust Bank)

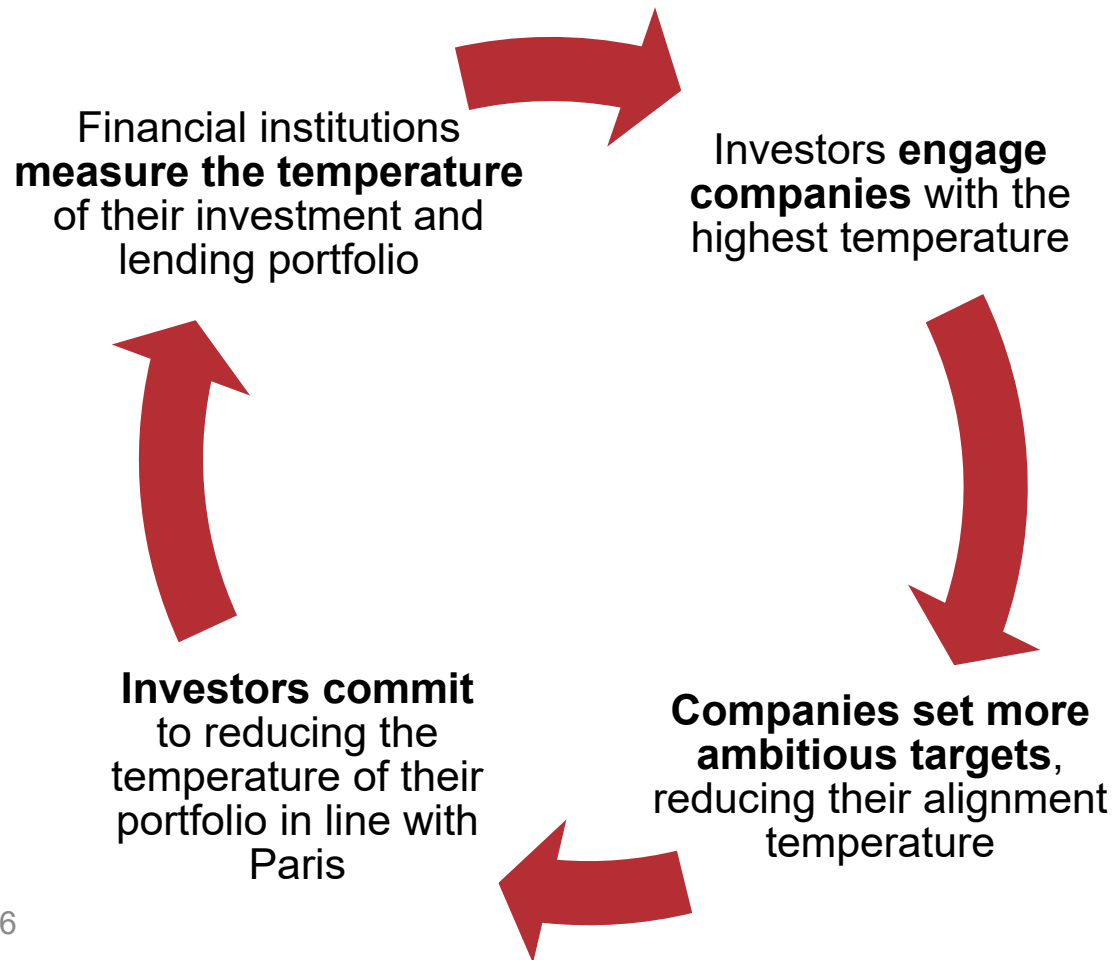


- The first "sustainability linked derivatives" for a business company in Japan (Execution date of agreement is 21 July 2021)
- A forward exchange contract called "ESG Exchange Contract"
- R&I provided the second opinion that confirms the loan aligns with the SLLP and the MoE's guideline



# Theory of change

Create a positive ambition loop between investors and companies that incentivizes companies to set ambitious target and accelerates the decarbonization of investment and lending portfolios



## How is the theory of change checked?

- Companies setting ambitious targets do reduce GHG Emissions in line with their commitment

### SBTi Progress Report 2021



- Feedback from investors on engagement practices that work best



ไทยพาณิชย์  
SCB



# TCFD IN FINANCE WORKSHOP

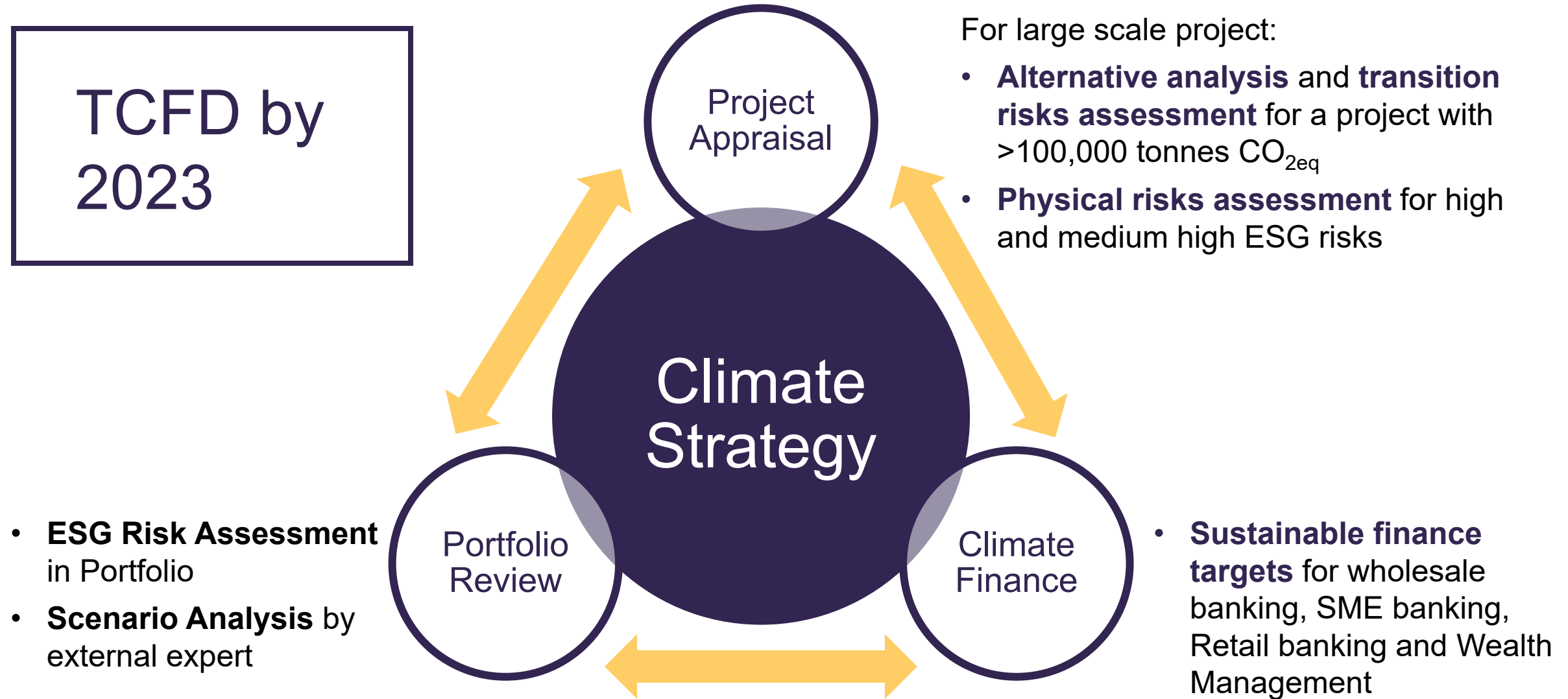
PANEL DISCUSSION



18 NOVEMBER 2021



TCFD by  
2023

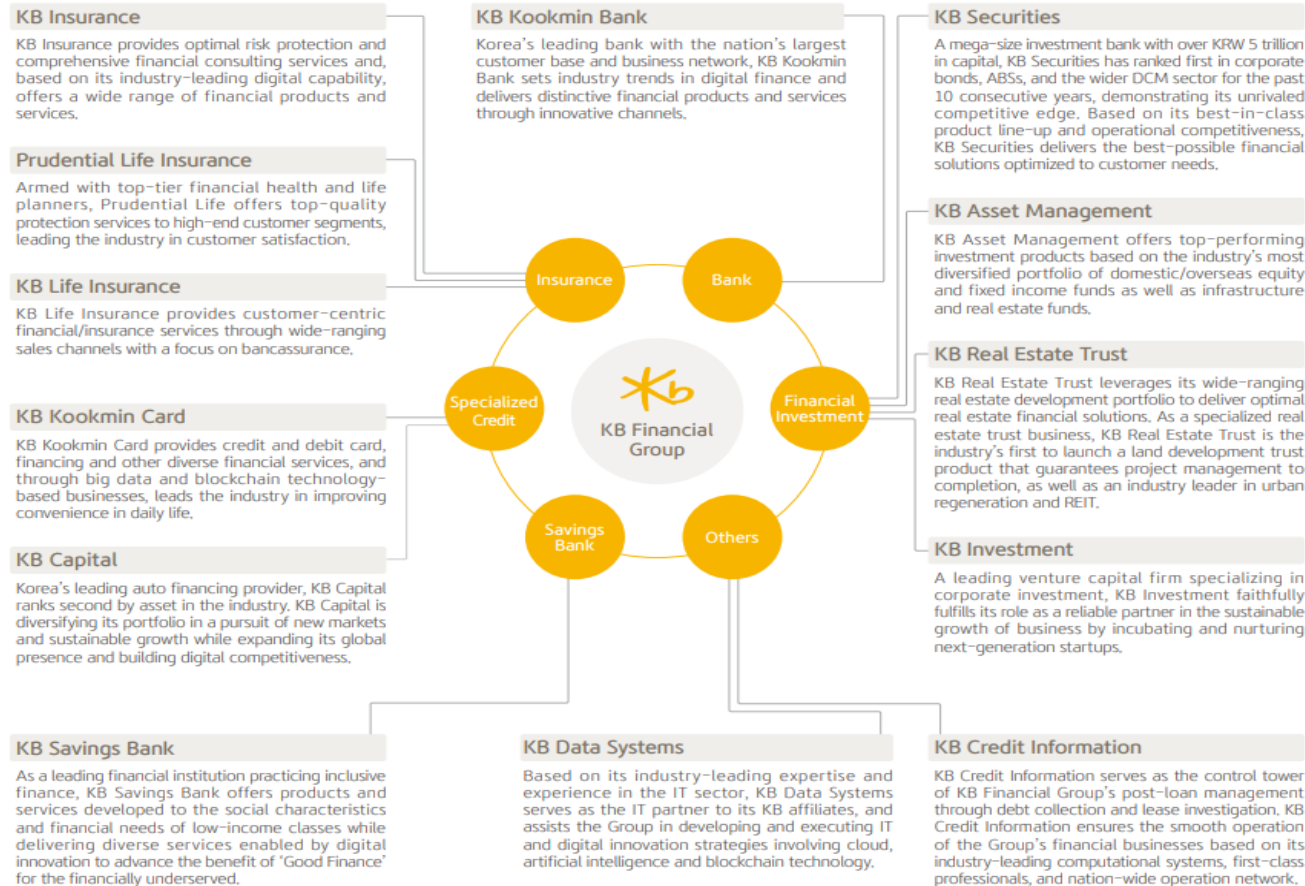


A decorative pattern of small squares in yellow and dark grey is scattered across the top and right side of the page.

 KB Financial Group

# KB's Journey to Net Zero

- As a leading financial group with the largest customer base and the most extensive branch network in Korea
- KB Financial Group is committed to delivering one-stop comprehensive financial services among its wholly-owned 13 subsidiaries



## Group Network

Domestic

1,703

Overseas

827

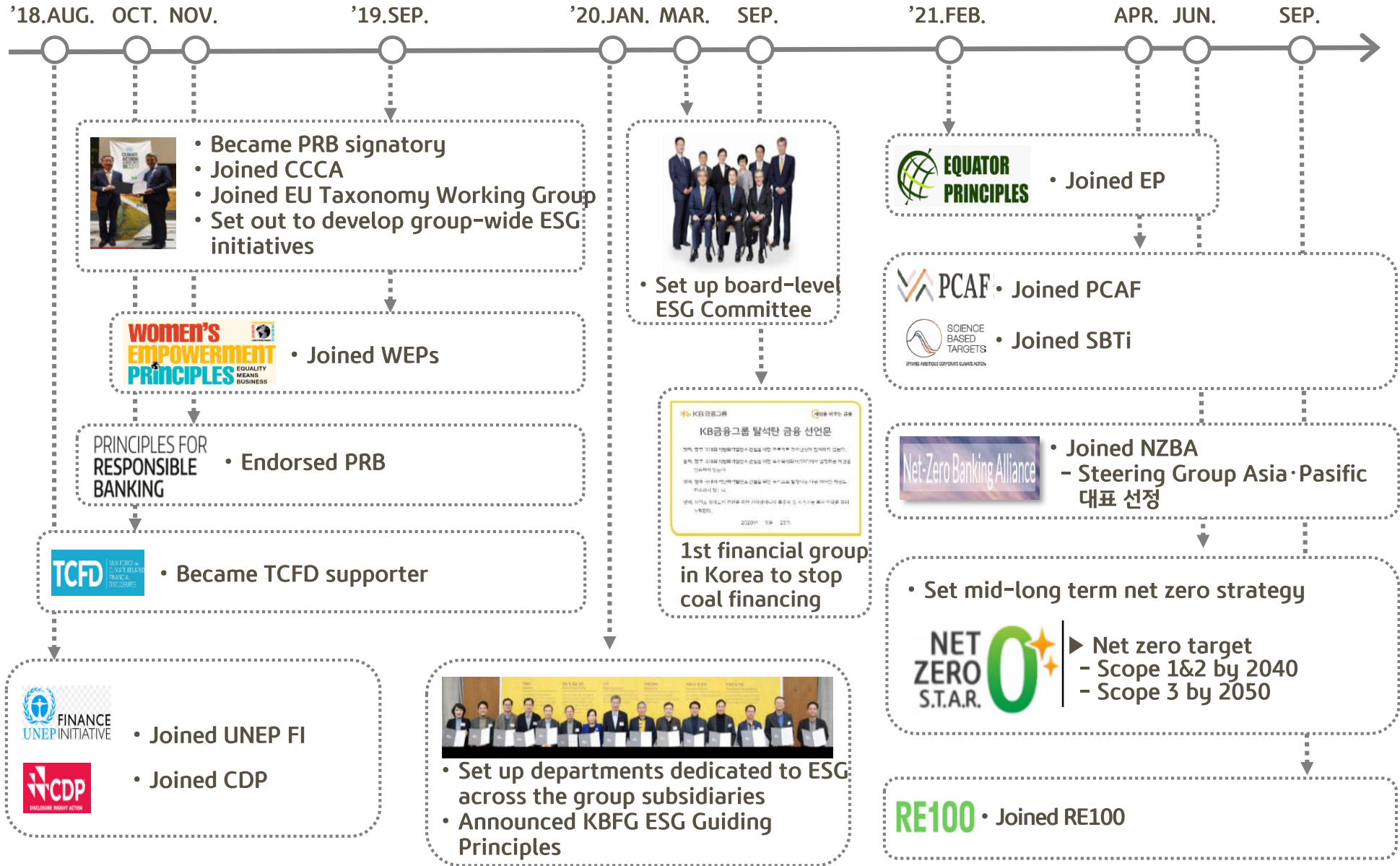
## Group Customers

35.5 million

## Group Employees

26,041

# ESG Milestone



## ➔ KB is faithfully fulfilling the role of a supporter of TCFD

Since becoming a supporter for TCFD in 2018, KB is faithfully implementing the recommendations, and the results are disclosed in the Group's Sustainability Report every year.

[Key Milestones of TCFD Journey]

### Governance

- **Establishment of the ESG Committee under the Board**
  - Develops Group-wide strategy to respond to climate changes and oversee the performance
- **Organization of ESG Committee at subsidiary level**
  - Develops subsidiary-level strategy to execute the Group's climate strategy

### Strategy

- **Development of climate-related strategy**
  - Strategy to achieve carbon neutrality (KB Net Zero S.T.A.R.)
  - Strategy to expand sustainable financing (Green Wave 2030)
- **Review of climate resilience strategy through scenario analysis**
- **Reinforcing cooperation for global climate action**

### Risk Management

- **Development of Group ESRM policy**
  - Categorization and management of regions for exclusion/attention/support according to carbon emission intensity
- **Adoption and implementation of the Equator Principles**

### Metrics & Targets

- **Establishment of SBT-based net-zero goals**
  - Scope 1 & 2: 42% cut by 2030; net-zero by 2040
  - Financed emission: 33.3% cut by 2030; net-zero by 2050
- **Establishment of sustainable financing goal**



- ➔ Governance is the very basic to facilitate ESG management
- ➔ KB established board level ESG Committee in March 2020



## 1 First board level ESG committee

- Board level ESG Committee is the first case among Korean Financial Groups
- The Committee is composed of all board members; this enables us to move more quickly and boldly.

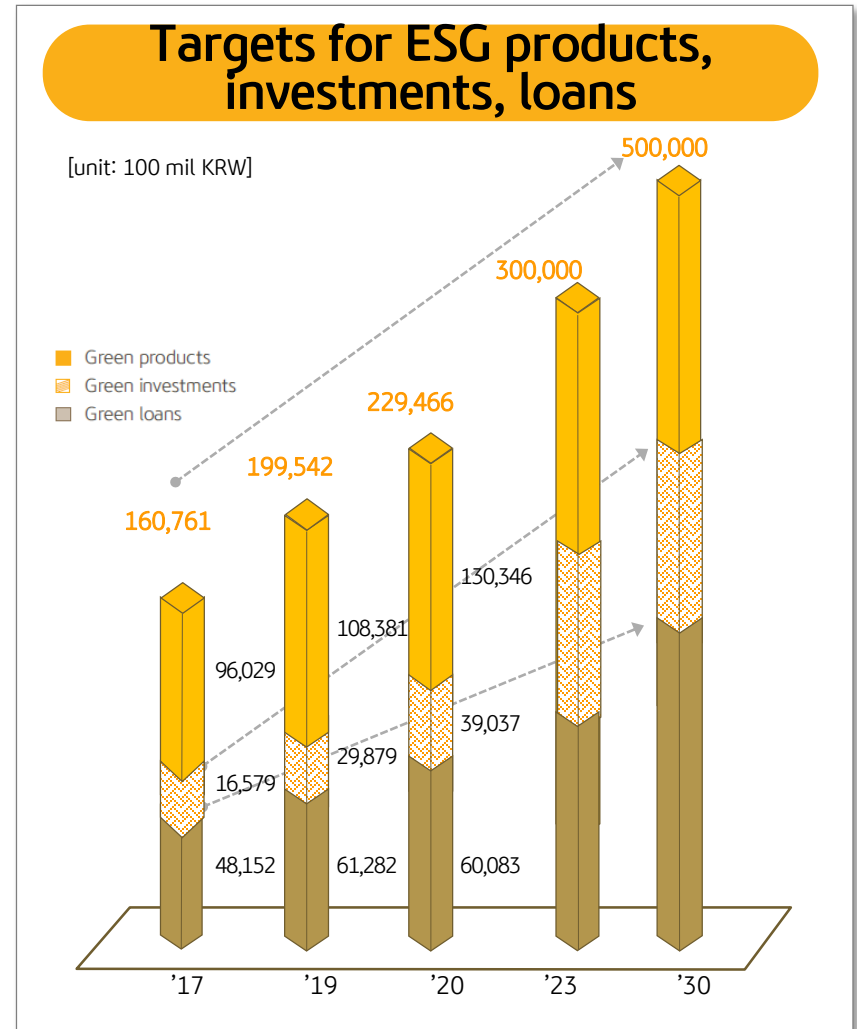
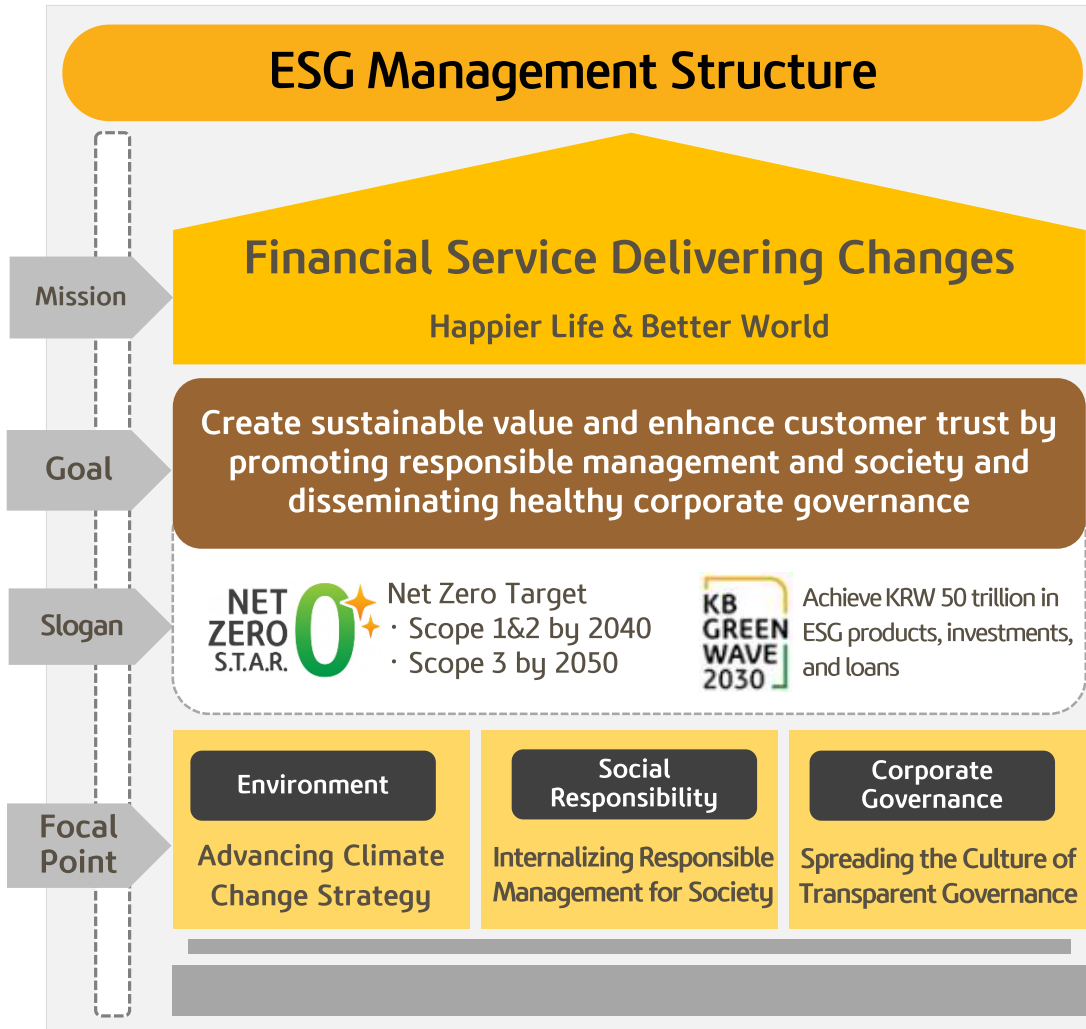
## 2 Achievements of the Comm.

- Mid-Long ESG Strategy (Mar. 2020)
- Anti-coal financing pledge (Sep. 2020)
- Net Zero Strategy (Jun. 2021)
- ESRM (Environmental and Social Risk Management Principles)

## 3 ESG structure

- Each subsidiary has its own ESG management structure to facilitate business line level activities

- For KB, ESG is one of the most important strategic pillars.
- To fulfill our Mission, we will strive to achieve our ESG goal and targets



➔ 'Net Zero S.T.A.R.' is launched to drive phased in implementation to achieve Net Zero

## NET ZERO S.T.A.R. *Net Zero S.T.A.R.*

*Support  
Transform  
Align  
Restore*

Scope

**Operational emissions** (Scope 1&2)

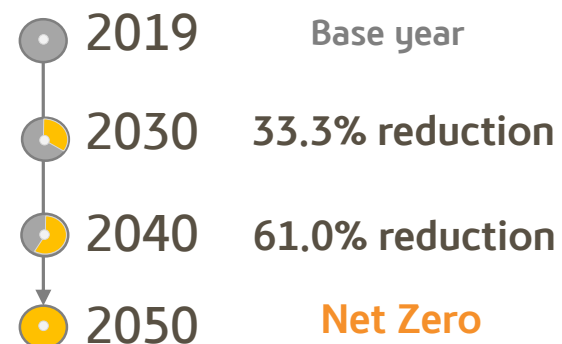
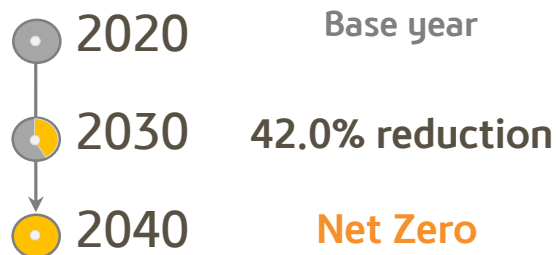
**Financed emissions** (Scope 3)

Target

**Net Zero by 2040**

**Net Zero by 2050**

Steps



KRW 24 trillion or 50% of our Green Wave 2030 target will be invested in green sectors  
\* 2030 target: KRW 50 trillion in ESG products, investments and loans

\* Under Net Zero S.T.A.R. strategy, we are focused on supporting environmentally-friendly businesses, accelerating transformation toward low-carbon economy, aligning our strategy with the Paris Agreement and restoring our environment.

- After measuring carbon emissions through PCAF methodology, set reduction targets through SBTi methodology.

**PCAF** Partnership for Carbon Accounting Financials

**SBTi** Science Based Target initiative

“Methodologies Measuring”

“Methodologies Target Setting”

Financial institution	Status	Date joined	Date of first disclosure	Date of most recent disclosure
KB Financial Group	Disclosed	Mar, 2021	Jul, 2021	Jul, 2021
KBC Group	Disclosed	Sep, 2019	Mar, 2020	Mar, 2021
KCB Bank Kenya Limited				-
Landsbankinn				Jun, 2021
LAPO Microfinance Bank Limited*				-
LGT Private Banking	Committed	May, 2021	-	-

Disclosed emissions using PCAF Methodology

COMPANY	STATUS	TARGET CLASSIFICATION
La Banque Postale	Targets Set	
KB Financial Group	Targets Set	1.5°C
EQT AB	Targets Set	1.5°C

The first Asian financial institution to be approved

출처: PCAF 홈페이지

출처: SBTi 홈페이지

## Forward looking issues

- ➔ Green Financing will not only tackle climate change but also the entire human race
- ➔ ESG(Non-financial) disclosure should be credible, consistent, and transparent

### Sound ESG Eco-system

- ☑ All market participant to perceive ESG as way to co-exist and to play their roles

#### Companies

- Accurate and consistent disclosure
- Avoid greenwashing

#### ESG intelligence and evaluation agencies

- transparent and acceptable evaluation criteria

#### Financial institutions

- Scale up green financing
- Enhance stewardship code

- ☑ To make the ESG Eco-system more active and functional, independent and credible parties need to join.

### Ways ahead

- >> KB, as a Korean leading financial group, will do our pivotal role to scale up green financing.
- >> We also will contribute to setting up credible and generally accepted ESG disclosure guidelines
- >> We all should go hand in hand to solve the problems we are facing today.

# BNP PARIBAS AM SUSTAINABLE INVESTMENT APPROACH



**BNP Paribas Asset Management: The most awarded global asset manager\* by key Asia Pacific regional trade publications in the sustainable investment space in 2020/2021.**

\*Awards are based on 2020 performance coverage period from Asia Asset Management, The Asset, Asian Private Banker, Benchmark and ESG Finance Awards Japan.



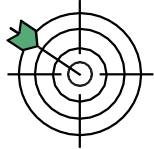
UK PACT - TCFD IN FINANCE - THAILAND  
18 NOVEMBER 2021



**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable investor for a changing world

# BNPP AM is a recognised global leader in sustainability



## Recognised Thought Leader & Advocate

PRI<sup>1</sup>, IIGCC<sup>2</sup>, TCFD<sup>3</sup>;  
Active in 40+ industry and engagement initiatives



## Sustainable Investor since 2002

Almost 20 years of experience in sustainable investing



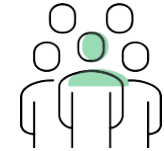
## Among the leaders in ESG performance

Recognised in assessments & rankings by the PRI, ShareAction, WWF, Majority Action and Influence Map



## Global Scope

ESG research across all asset classes and sectors



## Dedicated team of 28 seasoned professionals

Multi-disciplinary team of ESG professionals with financial, economic and legal expertise



Top 3

Global responsible investment manager

Source: ShareAction, Point of No Returns, March 2020



Global Leader

In sustainable investing

Source: WWF, RESPOND Sustainable Investment Report 2020, <http://resilientportfolios.org/>.



Broadridge®

#1

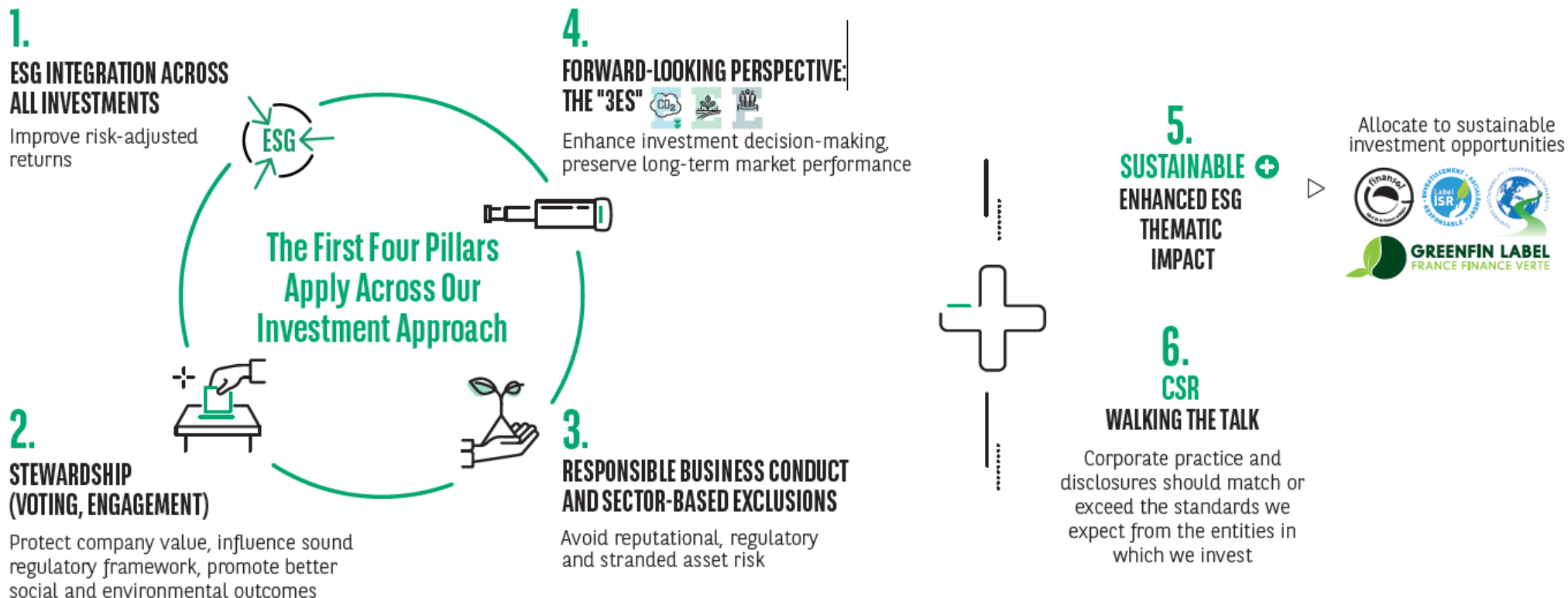
In sustainable thematic strategies

Source: BNPP AM internal analysis, as at February 2021 based on Broadridge data on European cross-border and local funds.

<sup>1</sup>PRI: Principles for Responsible Investment <sup>2</sup>IIGCC: Institutional Investor Group on Climate Change <sup>3</sup>TCFD: Task Force on Climate-related Financial Disclosures Trademark, copyright, & other intellectual property rights are & remain the property of their respective owners.

# Our Global Sustainability Strategy: a firm-wide approach to sustainable investment

## The 6 pillars of our sustainable investor approach





# Disclaimer

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BNP PARIBAS ASSET MANAGEMENT  
14, RUE BERGÈRE  
75009 PARIS  
BNPPARIBAS-AM.COM



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