



Private Financial Institutions' Commitments to Paris Alignment

October 2021



CLIMATE
POLICY
INITIATIVE

ACKNOWLEDGMENTS

This report was prepared with funding from the Climate Emergency Collaboration Group. The authors would like to acknowledge the following professionals for their cooperation and valued contributions including: Sarah Millar and Laura Stone (CECG); Ben Caldecott and Peter Chalkley (COP26 Unit); Jack Balsdon, Sagarika Chatterjee, Meryam Omi, Sue Reid, Raphaëlle Vallet (COP26 High-Level Champions for Climate Action); Ronan Hodge, Sini Matikainen, and Tanguy Séné (COP26 Private Finance Hub); Iskander Erzini Vernoit and Charlotte Slaven (E3G); and Alex Michie (GFANZ).

The authors would also like to thank Barbara Buchner, Bella Tonkonogy, Baysa Naran, Nicole Pinko, Angela Falconer, Rob Kahn, Caroline Dreyer, and Josh Wheeling for their continuous advice, support, design, and internal review.

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ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has six offices around the world in Brazil, India, Indonesia, Kenya, the United Kingdom, and the United States.



DESCRIPTORS

SECTOR

Financial

REGION

Global

KEYWORDS

Financial institutions; net zero; Paris agreement

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RECOMMENDED CITATION

CPI, 2021. Private Financial Institutions' Commitments to Paris Alignment. Matthew Solomon, Donovan Escalante, Pedro Fernandes, Angela Pastor, Paul Rosane. Climate Policy Initiative, United States.

EXECUTIVE SUMMARY

To achieve global net zero emissions by 2050 and keep warming to 1.5°C compared to pre-industrial levels, the world needs to increase investment in climate solutions to at least USD 5 trillion annually by 2030.¹ While a daunting figure, this figure is a fraction of the capital held by global financial services and asset management industries that could be reallocated to drive down emissions.

The last few years have seen financial institutions making headlines with bold net zero announcements, which is a key step towards achieving needed investments. As of the release of this report, **overall assets committed to net zero now exceed USD 93 trillion**. This is tremendous progress compared to several years ago. In 2019, when the Net Zero Asset Owner Alliance launched, it represented less than USD 4 trillion of assets² and further progress is expected in the run-up to COP26. Given how complex decarbonizing the global real economy will be, these commitment announcements are the first step to understanding what this transition will entail, and they often raise additional questions:

- Are these goals truly aligned with a credible net zero path?
- What details are behind the headline commitments?
- Is progress being made to achieve these aspirations?
- How do these commitments compare to the broader financial industry and real economy?
- Are financial institutions doing as much as they should?

As part of a broader effort CPI is undertaking to understand the integrity of net zero and increase its accountability, we conducted a thorough tracking and analysis exercise of public commitments to address climate change from more than 350 private financial actors across four financial sectors (asset owner, asset manager, commercial bank, insurer). We focused on institutions that have committed to net zero emissions by 2050 or are otherwise systemically important actors.

In order to conduct this review, **we developed a new commitment taxonomy**, covered in detail in the Methodology and taxonomy section, that captures details

¹ International Energy Agency. 2021. "Net Zero by 2050: A Roadmap for the Global Energy Sector." https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf.

² UNEP. 2019. "Net Zero Asset Owner Alliance surges to nearly \$4 trillion at COP25; other investors urged to get on board." <https://www.unep.org/news-and-stories/press-release/net-zero-asset-owner-alliance-surges-nearly-4-trillion-cop25-other>.

of the scope of a financial actor's actions and potential paths to affect climate change. The four categories of commitments include:

- mitigation targets,
- investment goals,
- exclusions and divestment, and
- new business practices.

We based the taxonomy on commitments companies have made, consultation with stakeholders, and a literature review.

Using these tools, we created a dataset summarizing available information on commitments to date. A copy of this database is [available for download](#), and can be used by policymakers and the financial sectors to set goals, collaborate on progress, and report going forward. We recommend that this becomes a living reference point, tracking progress towards existing goals and putting future commitments in context, and should be combined with other efforts focusing on specific companies, countries, or sectors.

Our findings from reviewing this commitments database show:

- 1. At least 301 major financial institutions—representing USD 93.3 trillion worth of financial assets—have committed to net zero by 2050 at the latest.**³ 2021, in particular, has seen unprecedented growth in net zero commitments: 65% of global assets under management and 17% of global financial assets⁴ are now covered by a 2050 net zero commitment.^{5, 6}

³ We calculate this figure as the sum of assets under management for all asset managers, insurers, and asset owners, and total assets for commercial banks. When assets under management are unavailable, we use total assets. When a commercial bank's asset management division committed to net zero in addition to the parent company, only total assets are considered. In addition to members of GFANZ-affiliated alliances, this figure includes financial entities that joined SBTi – Business Ambition for 1.5C, or that made a stand-alone commitment to net-zero by at least 2050. Therefore, both the methodology and coverage of CPI estimates differs from GFANZ's. This estimate is as of October 11, 2021.

⁴ Assets under management are the financial assets an entity manages on behalf of clients. Total assets represent all financial assets on an entity's balance sheet, including loans.

⁵ BCG, 2021. "The \$100 Trillion Machine." Boston Consulting Group (BCG). <https://web-assets.bcg.com/79/bf/d1d361854084a9624a0cbce3bf07/bcg-global-asset-management-2021-jul-2021.pdf>.

⁶ FSB, 2020. "Global Monitoring Report on Non-Bank Financial Intermediation." Financial Stability Board (FSB). <https://www.fsb.org/wp-content/uploads/P161220.pdf>.

Region	Financial Institutions Committed to Net Zero	Assets Committed to Net Zero (USD billion)
Total	301	\$ 93,310
Western Europe	181	\$ 44,267
US & Canada	62	\$ 40,291
East Asia and Pacific	15	\$ 7,006
Latin America & Caribbean	11	\$ 817
Other Oceania	7	\$ 574
Middle East and North Africa	1	\$ 24
Others	5	\$ 74
Unknown	19	\$ 257

- 2. Through August 2021, financial institutions have made 45% more commitments than in all of 2020, driven by dramatic growth in mitigation targets.** EU-27 institutions have made the most number of commitments overall, potentially due to the size of the market and overall support for sustainable policies, followed by the US and UK. These policies include the European Union's Sustainable Finance Disclosure Regulation (SFDR), which requires climate risk disclosure. We do not find that entity size is an indicator of whether a commitment will be made.
- 3. The number of mitigation targets are growing, but key details—including credible transition plans and ambitions—are lacking.** We found only 10% of entities with net zero targets had public interim emission reduction targets, which are a key first step to implementing companies taking action. These shorter-term targets also allow for easier monitoring of progress. By joining

GFANZ alliances and Race to Zero, companies are committing to release interim emissions reduction targets within the next two years, and some institutions are expected to announce progress and interim emission reduction targets in the run-up to COP26. Since so many financial institutions have only committed to net zero in the last year, it is not surprising that further details are not yet available.

In addition to actual emissions reductions, financial institutions are often required to provide guidance on how they will use carbon offsets for those emissions they are unable to reduce to zero. None of the entities in our sample published details around how and when carbon offsets would be used. While the immediate goal is to reduce emissions, use of carbon offsets is proposed to account for investments in hard-to-abate sectors where no mitigation options exist.

- 4. We tracked almost USD 6 trillion cumulative in investments pledged to climate solutions by 2030, representing almost a doubling from current private finance climate investment trends.** However, these commitments lack detail on target sectors and regions. Tracked climate finance commitments historically have not gone to developing economies and hard-to-abate sectors, and these are both areas in which financial institutions can have an outsized impact if they commit to invest. Recent efforts to mobilize finance to developing economies is hopefully an indication of progress in this area.

- 5. Fossil fuel exclusions and divestment policies are primarily coal-related and consistent with calls to reduce emissions from coal, but a real shift away from fossil fuel investments is missing.** Overall, we found that the divestment thresholds placed by most entities contained broad ranges. As a result, continued financing of new and existing coal projects is effectively allowed, for example for companies with up to 40% of revenue coming from coal or through financing parent companies with many subsidiaries. Moreover, few entities are taking steps to phase out oil and gas financing. Those that do are focused on specific locations such as Arctic drilling and tar sands development, as opposed to the needed global reduction in building new fossil fuel infrastructure. Financial institutions, especially asset managers, are starting to take seriously the need to use proactive client engagement tools, such as shareholder voting and providing guidance to portfolio companies, in order to avoid emissions leakage and avoid punishing companies that are genuinely interested in change.

6. Financial institutions are taking different paths to achieving their climate goals, ranging from launching new products to using shareholder actions.

New products are sometimes incorporating ESG aspects into existing vehicles, while other organizations are launching new ESG funds. Internal operational changes range from changing shareholder engagement policies to including sustainability success in management remuneration. Further research and follow-up are needed to ensure that these steps truly shift activities away from high-carbon assets and are consistent with the top-line climate goals companies are setting out.⁷

There are opportunities to expand the breadth and depth of financial institution commitments across the board. The numerous net zero alliances initiated in the last few years, such as the Glasgow Financial Alliance for Net Zero, are laying a path forward for entities seeking to go beyond high-level net zero targets. Such a roadmap includes setting targets, steps for implementation, and reporting and standardized metrics. A summary of requirements of joining these groups is included in Annex 1. Additional groups like CA100+ and advocacy organizations have the potential to bring together actors to solve the collective action problem and magnify the impact of advocacy and shareholder actions. Many of these requirements match the recommendations provided in this report.

Beyond the private sector sphere, establishing a public policy environment that sends clear signals to financial sector actors that meeting these commitments is the most profitable and sustainable path forward is needed. This includes the use of public finance and incentives to crowd-in private investments, especially in sectors and regions that have so far been viewed as riskier, as well as introducing enabling legislation like climate risk disclosure mandates, short- and long-term emissions reductions targets, and carbon pricing.

⁷ Efforts are underway to develop methodologies to benchmark this transition. See, for example, World Benchmarking Alliance. 2021. "Financial System Transformation Scoping Report." <https://assets.worldbenchmarkingalliance.org/app/uploads/2021/01/WBA-Financial-System-Transformation-Scoping-Report-January-2021-WEB.pdf>

CPI's Sustainable Finance Platform

This report is part of CPI's broader, ongoing effort to track and bridge the gap between the private financial sector, public policymakers, and financial needs of the climate transition. This project serves as both a contextualization of promised progress in the private sector, and a key input to other approaches. Similarly, the [Global Landscape of Climate Finance](#) provides key context in historical financing trends by actor type, sector and other important metrics. The [Net Zero Finance Tracker](#) incorporates these funding trends and numerous other qualitative and quantitative data points to track progress made towards achieving net zero goals in different sectors. This commitment database will be a key input to that effort. CPI's [Framework for Sustainable Finance Integrity](#) provides the overarching guidance, across all public and private financial sector actors, on the necessary actions that science demands in meeting the commitments reviewed in this report.

TABLE OF CONTENTS

Executive Summary	3
1. Introduction and background	10
2. Methodology and taxonomy	11
2.1 Entity coverage	12
2.2 A taxonomy for FI climate commitments	13
3. Net Zero Financial Institutions	16
3.1 Net zero by actor type	18
4. Financial Institution's commitment trends	19
4.1 Commitment trends by region	20
4.2 Commitment trends by entity type	22
4.3 Commitment quality	23
5. Mitigation targets	24
6. Investment goals	26
7. Exclusion and divestment	29
8. New business practices	33
9. Recommendations	35
10. References	38
11. Annex 1: Net zero alliance membership requirements	41
12. Annex 2: Commitment collection processes	44

1. INTRODUCTION AND BACKGROUND

This report offers a detailed review of financial sector commitments covering the full range of actions by private financial actors to address climate change – starting with long-term mitigation targets but also covering investment, divestment, and changes in internal operations. While other research has been conducted on financial institutions and, separately, net zero commitments, **we believe this is the first report focused on the full scope of commitments global financial institutions make.** Previous analysis efforts to date have focused on capturing net zero commitments from a broad range of actors⁸, tracked fossil fuel exclusion policies⁹ and internal operations mitigation targets¹⁰, or have gathered detailed information with limited geographic coverage.¹¹ We complement these efforts by applying a broader taxonomy to capture relevant commitments from global financial institutions.

To address these gaps, this report:

- Defines a methodology and taxonomy of financial actor commitments
- Contextualizes commitments within the broader financial industry
- Calculates trends across regions, economic sectors, time, geography, type of actor, and size of firms
- Places commitments in the context of broader efforts to ensure integrity in FI actions

⁸ For example, RMI's [Coming Into Alignment](https://climatealignment.org/wp-content/uploads/2021/08/state-of-the-market.pdf)⁸ (covers FIs-only), or the ECIU's [Taking Stock](https://ca1-eci.edcdn.com/reports/ECIU-Oxford_Taking_Stock.pdf?v=1616461369)⁹ (broader set of actors). See Lizzy Hartnett, Shravan Bhat, and Jessamine Fitzpatrick. 2021. "Coming into Alignment." RMI Center for Climate Aligned Finance. <https://climatealignment.org/wp-content/uploads/2021/08/state-of-the-market.pdf>; Black, R., Cullen, K., Fay, B., Hale, T., Lang, J., Mahmood, S., Smith, S.M. 2021. "Taking Stock: A global assessment of net zero targets." Energy & Climate Intelligence Unit and Oxford Net Zero. https://ca1-eci.edcdn.com/reports/ECIU-Oxford_Taking_Stock.pdf?v=1616461369.

⁹ For example, Rainforest Action Network's Banking on Climate Chaos (commercial banks), Institute for Energy Economics and Financial Analysis (largest FIs). See Rainforest Action Network. 2021. "Banking on Climate Chaos." <https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf>; Institute for Energy Economics and Financial Analysis. 2021. "Finance is leaving oil and gas." <https://ieefa.org/finance-exiting-oil-and-gas/>.

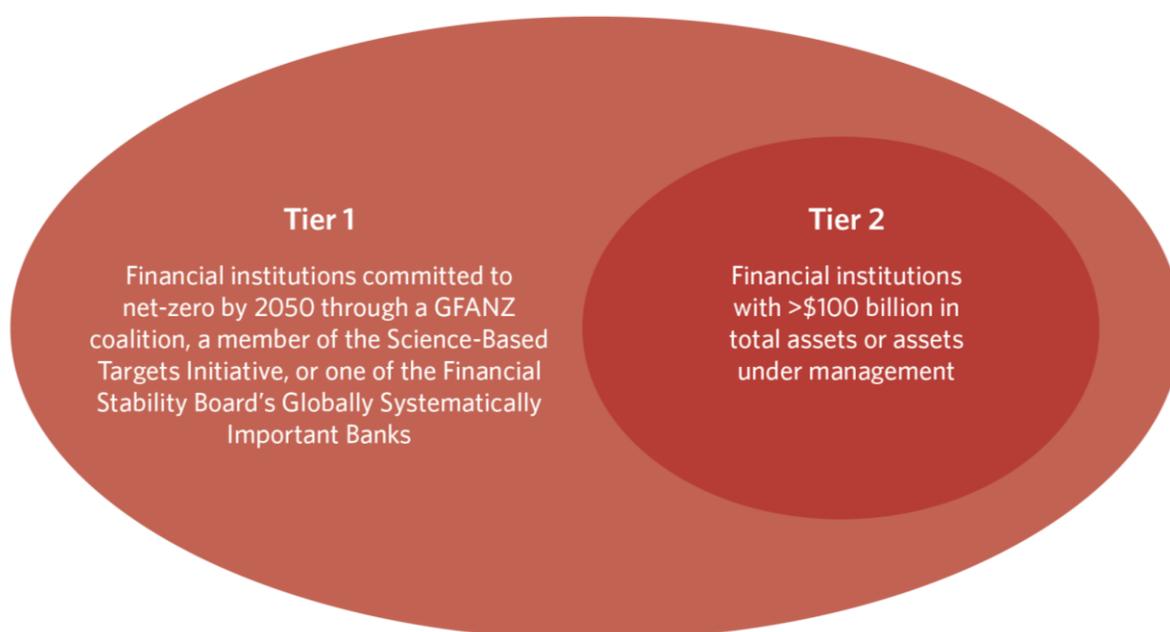
¹⁰ The UNFCCC's Global Climate Action portal (formerly known as NAZCA) covers commitments from a wide range of actors, but primarily Scope 1 and 2 mitigation targets, membership in groups such as CA100+, and usage of internal carbon price. See Global Climate Action NAZCA. 2021. "Investors." <https://climateaction.unfccc.int/views/stakeholders.html?type=investors>.

¹¹ For example, CPI's Net Zero Finance Tracker covers all relevant commitments, but is currently only focused on the United Kingdom. See Valerio Micale, Rob Macquarie, Baysa Naran, and Angela Falconer. "Net Zero Finance Tracker." 2021. <https://www.climatepolicyinitiative.org/publication/net-zero-finance-tracker/>.

2. METHODOLOGY AND TAXONOMY

The goal of this project is to collect detailed information on commitments from entities that are both meaningful to the financial system and that are potential climate leaders. We started with all companies in net zero coalitions (Tier 1, a total of 350 entities), and then analyzed a subset of institutions' commitments, for large entities (Tier 2, a total of 114 entities), that have the potential for biggest impact.

Figure 1. Entities covered by this report.



2.1 ENTITY COVERAGE

2.1.1. Tier 1

The 350 financial institutions in Tier 1¹²—ranging from BlackRock to small family offices—are all entities that belong to net zero coalitions or meet one of our other criteria:

- Net Zero Asset Manager's Initiative¹³ (129 entities tracked)
- Net Zero Asset Owner's Alliance¹⁴ (49 entities tracked)
- Net Zero Banking Alliance¹⁵ (62 entities tracked)
- Net Zero Insurance Alliance¹⁶ (8 entities tracked)
- Science Based Targets Initiative¹⁷ – (99 entities tracked)¹⁸
- Signatories to the PAll Net Zero Asset Owner Commitment¹⁹ (40 entities tracked)

We also included the Financial Stability Board's systemically important banks²⁰ (30) since many of those institutions have made meaningful climate commitments but are yet to commit to net zero portfolio emissions by at least 2050.

For Tier 1 institutions, we gathered basic financial and descriptive data, including: HQ geography; actor type (e.g., asset manager or commercial bank); financial data like assets under management (AuM), total assets, revenue, and number of employees; and the minimum level of commitments required by the coalitions they joined.

¹² Number of entities is as of October 11. Additional net zero coalitions, including the Net Zero Investment Consultants Initiative and Net Zero Financial Service Providers Alliance, have been announced since data gathering and have not been included in this analysis. Some financial institutions are a member of multiple coalitions.

¹³ Net Zero Asset Managers Initiative. 2021. "Net Zero Asset Managers Initiative." <https://www.netzeroassetmanagers.org/>.

¹⁴ UN-Convened Net Zero Asset Owners Alliance. 2021. "Institutional investors transitioning their portfolios to net zero GHG emissions by 2050." <https://www.unepfi.org/net-zero-alliance/>.

¹⁵ Net-Zero Banking Alliance. 2021. "Net-Zero Banking Alliance." <https://www.unepfi.org/net-zero-banking/>.

¹⁶ Net-Zero Insurance Alliance. 2021. "Net-Zero Insurance Alliance." <https://www.unepfi.org/net-zero-insurance/>.

¹⁷ Science Based Targets Initiative. 2021. "Companies Taking Action." <https://sciencebasedtargets.org/companies-taking-action#table>.

¹⁸ Including 38 entities that committed to the 1.5C SBTi pathway, which we categorize as financial institutions that commit to net zero emissions by 2050.

¹⁹ Paris Alignment Investment Initiative. 2021. "Paris Alignment Investment Initiative." <https://www.parisalignedinvestment.org/signatories/>.

²⁰ Financial Stability Board. 2020. "2020 list of global systemically important banks (G-SIBs)." <https://www.fsb.org/wp-content/uploads/P111120.pdf>.

These data points allow us to gain insight into basic, but key, questions such as:

- How many institutions and what amount of money are dedicated to net zero?
- How does this differ by geography and actor type?

2.1.2 Tier 2

For the most systemically important institutions—those with either USD 100 billion in assets under management or USD 100 billion in total assets (114 in total)—we conducted a deeper level of analysis in order to understand in further detail the types of commitments being made by these institutions.

2.2 A TAXONOMY FOR FI CLIMATE COMMITMENTS

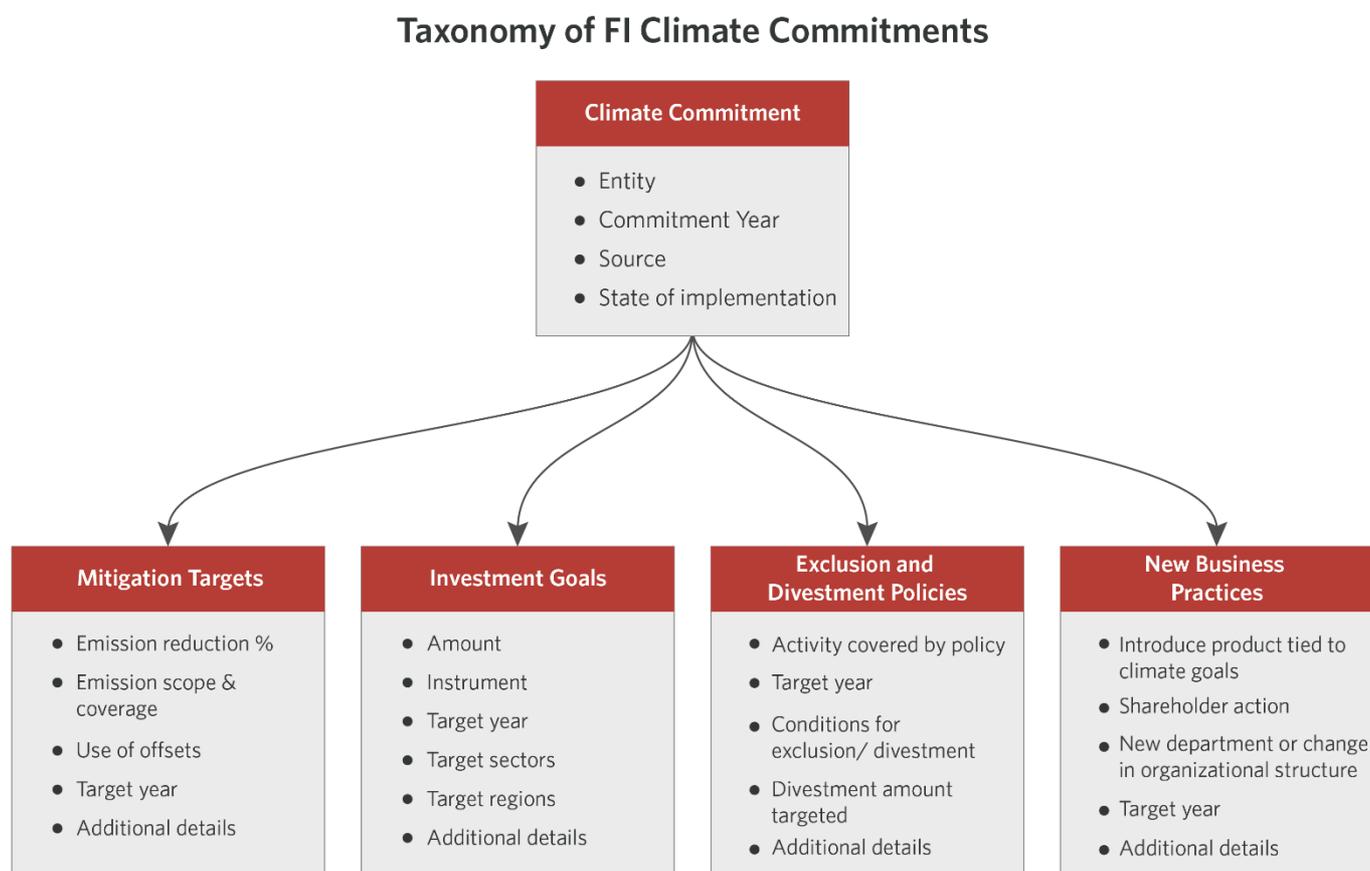
We analyzed the Tier 2 financial institutions' commitments using the following taxonomy, as described in Figure 2:

- Mitigation targets
- Investment goals
- Exclusions and divestment policies
- New business practices

For each of these categories, we captured further information as described in the sub-bullets of Figure 2, including commitment date, source, target year, and additional details.

This “commitment taxonomy” captures what financial institutions are doing to impact real world outcomes.

Figure 2. Taxonomy of financial institution climate commitments.



Our taxonomy was constructed iteratively based on:

- 1) a review of financial institution announcements
- 2) stakeholder engagement
- 3) consideration of what financial institutions can do to affect change

We then developed a scalable process in conjunction with stakeholders to ensure full coverage.

We created a system to monitor a large number of news articles using keywords that relate to climate commitments such as “reduce emissions,” “climate target,” and “coal divestment.”²¹ The full list of keywords is available in Annex 2. These keywords were developed in an iterative process and based on recommendations from stakeholders. Now that it is developed, this approach can be more efficiently

²¹ Commitments were gathered from articles published as of August 4, 2021.

applied to future updates, gather updates on specific commitments or entities, and expand to other entities.

Articles were then manually reviewed to identify commitments. Further research was done on company websites and additional news sources for details as needed. Financial data were gathered from S&P Capital IQ, and when unavailable were gathered from company websites and further internet searches. If still unavailable, total assets, assets under management, and revenue were assumed to be zero.

3. NET ZERO FINANCIAL INSTITUTIONS

301 financial entities representing at least USD 93.3 trillion of asset under management have committed to net zero emissions portfolios by 2050 or sooner.^{22,23}

These include the global largest 20 asset managers and 25 of the top 50 global commercial banks.²⁴ Overall, these commitments represent 65% of global assets under management²⁵ and about 17% of the global financial industry.²⁶ 81% of net zero pledges came from Western Europe- and North America-headquartered institutions (Table 1), regions that concentrate a large share of the world's investable capital. Besides general climate awareness, lagging net zero commitments in developing countries could be explained by domestic financial institutions' limited access to climate-related data. Indeed, setting data-driven climate targets is a prerequisite to joining most net zero coalitions.

²² We calculate this figure as the sum of assets under management for all asset managers, insurers, and asset owners, and total assets for commercial banks. When assets under management are unavailable, we use total assets. When a commercial bank's asset management division committed to net zero in addition to the parent company, only total assets are considered, as we could not determine whether a bank's total assets are part of the assets under management. Additionally, not all AuM or assets data are public, and there are differences between data available on S&P CapitalIQ and self-reported to coalitions. In addition to members of GFANZ-affiliated alliances, this figure includes financial entities that joined SBTi – Business Ambition for 1.5C, or that made a stand-alone commitment to net-zero by at least 2050. Therefore, both the methodology and coverage of CPI estimates differs from GFANZ's. This total does not double count entities that have committed to multiple net zero groups. This total intends to limit AuM double counting when both a parent company and some of its subsidiaries have committed to net zero. Estimates are as of October 11.

²³ We define a net zero commitment as a financial institution announcing at least an intention to achieve net zero emissions by 2050, including through becoming a member of a net zero coalition or alliance. Note that these commitments differ in what operations and assets they cover, ranging from requiring net zero Scope 1 / 2 emissions to financed emissions to emissions from assets under management.

²⁴ ADV Ratings. 2021. "The Largest Banks in the World." <https://www.advratings.com/banking/top-banks-in-the-world>.

²⁵ Per an estimate of USD 103 trillion of global assets under management. See Grace Chung. 2021. "The Asset Management Industry Has Surpassed \$100 Trillion – And There's Still Room to Grow." Institutional Investor. <https://www.institutionalinvestor.com/article/b1sls9m0wkdq9j/The-Asset-Management-Industry-Has-Surpassed-100-Trillion-And-There-s-Still-Room-to-Grow>.

²⁶ Per an estimate of a USD 400 trillion global financial industry. See F. Norrestad. 2021. "Total assets of global financial institutions from 2002 to 2019." Statista. <https://www.statista.com/statistics/421060/global-financial-institutions-assets/>.

Table 1. Financial institution net zero commitments by region.

Region	Financial Institutions Committed to Net Zero	Assets committed to Net Zero (USD billion)
Total	301	\$ 93,310
Western Europe	181	\$ 44,267
US & Canada	62	\$ 40,291
East Asia and Pacific	15	\$ 7,006
Latin America & Caribbean	11	\$ 817
Other Oceania	7	\$ 574
Middle East and North Africa	1	\$ 24
Others	5	\$ 74
Unknown	19	\$ 257

3.1 NET ZERO BY ACTOR TYPE

Net zero commitments are spread across different actor types, with asset managers and commercial banks leading the way across number of institutions and assets committed to net zero.

Table 2. Net zero commitments by actor type.

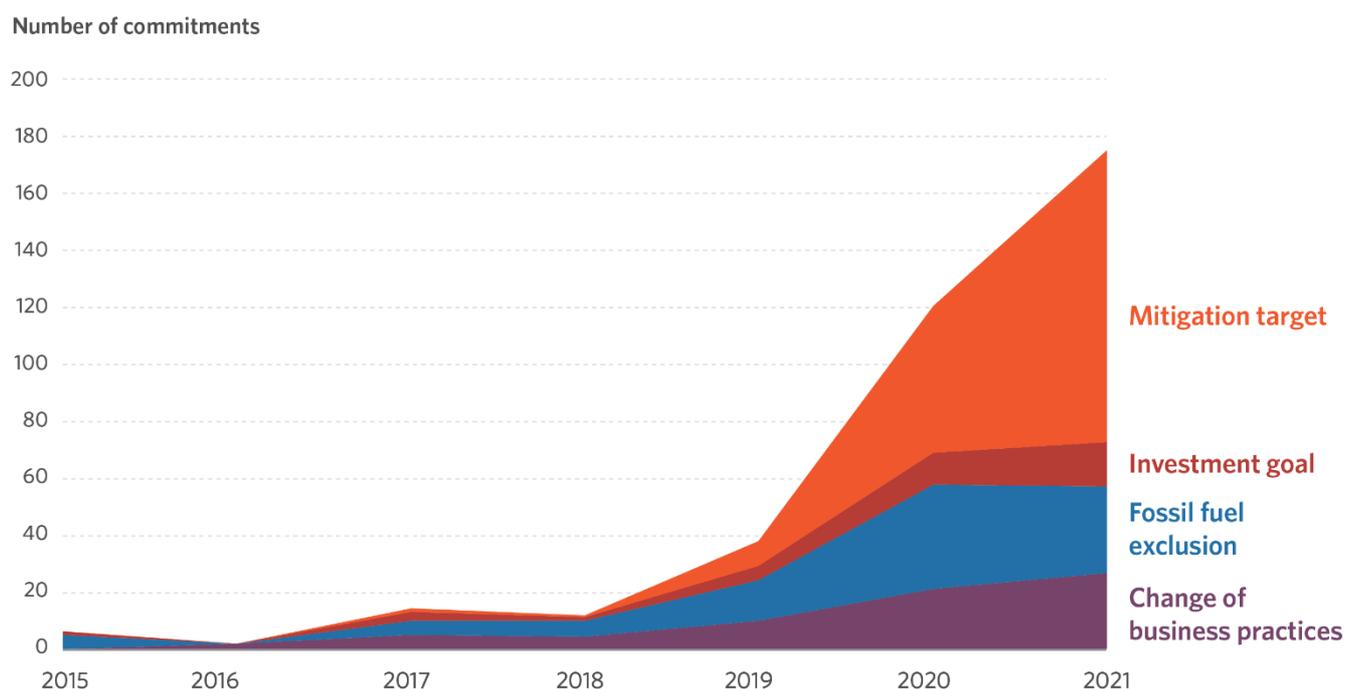
Actor Type	Financial Institutions Committed to Net Zero	Assets Committed to Net Zero (USD billion)
Total	301	\$ 93,310
Asset manager	131	\$ 31,109
Commercial bank	72	\$ 49,439
Insurer	22	\$ 3,123
Asset owner	50	\$ 2,971
Multiple²⁷	13	\$ 4,345
Unknown	13	\$ 2,316

²⁷ Some of the institutions in our sample could fit into multiple categories. We have allocated entities based on their primary line of business, although for some entities we determined "Multiple" was a more appropriate classification, such as Allianz which is both an insurer and asset owner. Further research is required to break down entities more granularly by actor type.

4. FINANCIAL INSTITUTION'S COMMITMENT TRENDS

2021 saw an acceleration in FI climate commitment announcements. **Overall, companies made 176 commitments in 2021, outpacing 2020 by 45% so far and finally showing momentum since the Paris Agreement was ratified.**

Figure 3. Evolution of commitments by type.



Note: 2021 commitments are captured through August 4, 2021. A single institution can make multiple commitments in each category, including updates to previous commitments.

In addition to traditional advocacy, there are now numerous FI climate coalitions such as the GFANZ alliances, CA100+, etc., that have launched since 2018. These provide an on-ramp for companies to move towards achievable, science-based commitments, in many cases starting with a long-term net zero goal. Institutions are also more aware than in previous years of climate risks in their portfolio holdings due to increasing voluntary uptake of the TCFD reporting standards.

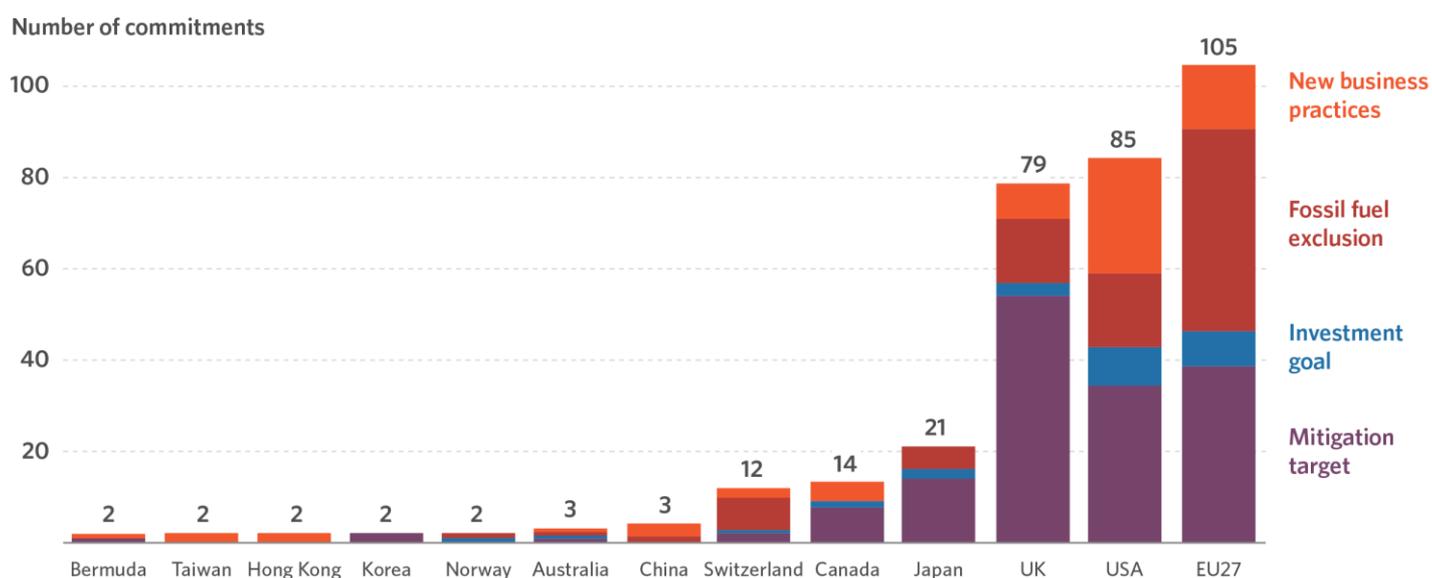
Several factors explain this trend, including the announcement of the U.S. return to the Paris Agreement and COP26's focus on mobilizing finance, which could be a

factor particularly in the increase in commitments throughout 2021. Notably, prior to 2021, most commitment announcements occurred post-COP as the conference was used to set the ambition target, so it is likely that this increasing trend will continue.

The only category that has experienced a decline in commitments so far in 2021 is fossil fuel exclusion and divestment. The economic uncertainty in 2020 and 2021 COVID-19 caused a slowdown in actual divestment.²⁸ As is discussed in Section 7, many institutions have focused on announcing coal exclusions and divestments, which are vital from a climate perspective and relatively easier to achieve economically than focusing on all fossil fuels, which may also contribute to the relative slowdown in commitment announcements.

4.1 COMMITMENT TRENDS BY REGION

Figure 4. Total commitments by region and type.



EU27-based institutions lead in terms of the numbers of commitments.

Possible explanations for this trend include the size of the market and overall support for sustainable policies. The introduction of the EU Sustainable Finance Disclosure

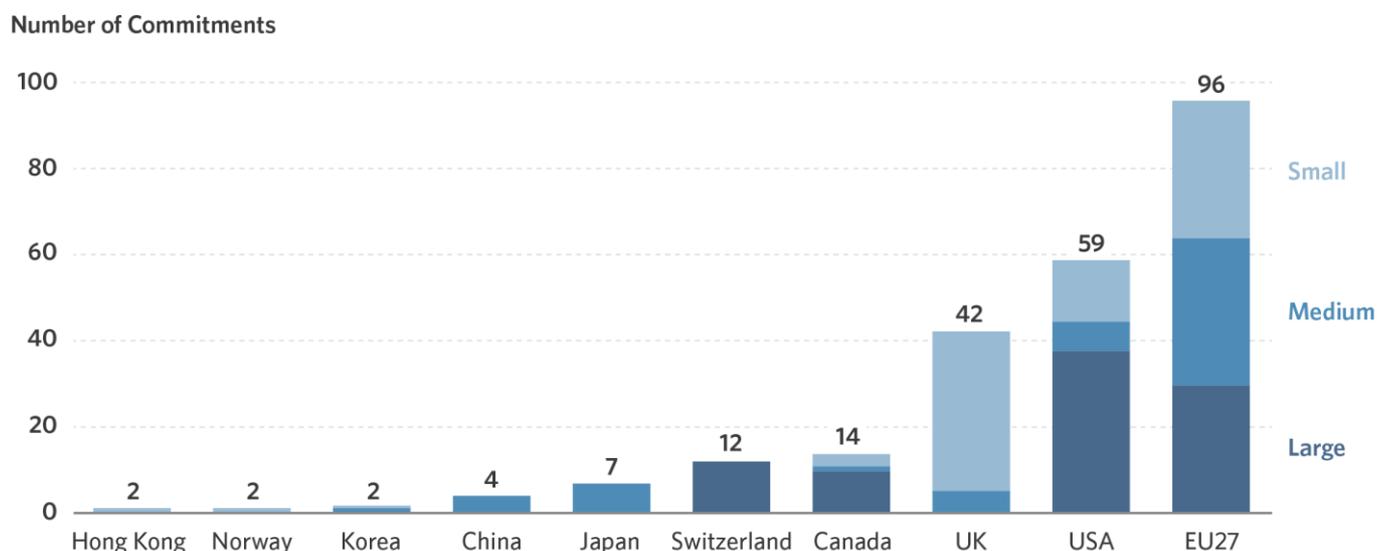
²⁸ Yannic Rack. 2021. "Investors slowing down on fossil fuel divestment amid pandemic, survey finds." S&P Global Market Intelligence. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/investors-slowing-down-on-fossil-fuel-divestment-amid-pandemic-survey-finds-61412797>.

Regulation (SFDR), which requires companies to disclose climate risks, is another likely contributor to this trend. Further evidence of the role of SFDR is the even distribution between small, medium, and large EU27-based entities and their likelihood of announcing a commitment.

Outside of the EU27, we observed a stronger focus on mitigation and business practices targets. In regions with no climate risk disclosure policies, we found large entities made the most announcements. In these regions, the absence of legislation or mandates puts the onus on civil society to drive action and the latter is more likely to focus on larger entities.

Additionally, the global spotlight can also be a motivating factor for action. For example, in Japan, we observed an increase in commitment announcements as the country prepared to ramp up its implementation of climate standards before the 2020 Olympics. We can see a similar trend in the UK in the lead-up to COP26.

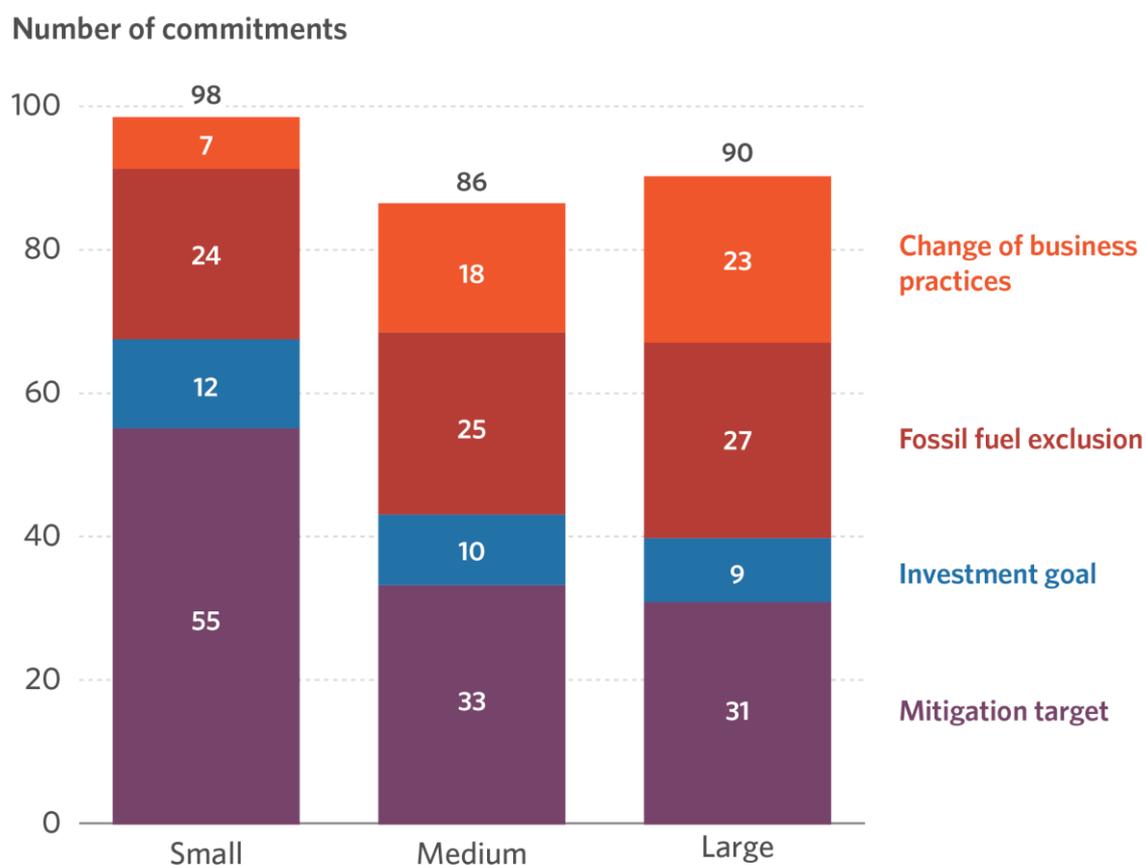
Figure 5. Number of commitments across different regions for similarly sized entities.



Note: For this analysis we compared companies according to total assets due to more widely available data. The following boundaries created three equally sized bins of total assets: small at less than USD 234 million; medium at 234 million to 1.2 billion; and large at greater than USD 1.2 billion. Boundaries are the same for each country.

4.2 COMMITMENT TRENDS BY ENTITY TYPE

Figure 6. Commitment type compared to entity size.



Note: For this analysis we compared companies according to total assets due to more widely available data. The following boundaries created three equally sized bins of total assets: small at less than USD 234 million; medium at 234 million to 1.2 billion; and large at greater than USD 1.2 billion. Boundaries are the same for each country.

Overall, we found entity size is not a determinant of whether a commitment will be made. Small, medium, and large entities all have announced similar number of commitments. Further, our results suggest that certain actions may be more accessible for specific types of entities; medium and large entities followed similar patterns in terms of the type of commitments made, while smaller entities were more likely to announce mitigation targets.

4.3 COMMITMENT QUALITY

While the increase in number of commitments made by financial institutions is a welcome development, it is important to also consider the quality of the commitments being made. We found many of the commitments lack details on plans for development and implementation.

To address this gap, CPI has developed a [Framework for Sustainable Finance Integrity](#) (Framework), which provides a universal set of sustainability guardrails across the financial system. **The Framework identifies current necessary actions across targets and objectives, implementation, and metrics and transparency.**

Using the scientific guidance available, the necessary actions identify the cross-sectoral actions that should be pursued in order to reach net zero by mid-century or earlier. We reference some Framework necessary actions throughout this report, and a full list will be available in a forthcoming publication. The most recent version of the Framework also identifies **current leading practices**, the most ambitious commitments, strategies, and disclosures currently in place, that best exemplify the current leading action on climate across all sectors.

5. MITIGATION TARGETS

Mitigation targets are becoming more common and ambitious, but crucial details on plans for implementation are still needed. **301 financial institutions representing a total of USD 93.3 trillion in assets are committed to net zero portfolios through an alliance or coalition.** Most of these commitments were made recently, with 67% of net zero targets announced in 2021.

Net zero alliance requirements generally align with the timelines to meet companies' fair share of the 50% global reduction in GHGs by 2030 and the IPCC's no or limited overshoot pathways in limiting warming to 1.5°C, but are not yet explicitly aiming for an earlier net zero date.²⁹ Only three companies have committed to net zero by 2040: Svenska Handelsbanken, Aviva, and New York State Retirement.

Because the vast majority of financial institutions have made net zero commitments within the last year, most institutions are still determining what the implementation of these commitments will entail. Overall, we tracked a total of **17 interim portfolio emissions targets³⁰, originating from 12 entities.** Examples range in scope and focus, from Scottish Widows' announcing its intention in 2021 to halve its portfolio carbon footprint by 2030, to JPMorgan Chase announcing in 2021 a 41% reduction target for their Auto Manufacturing portfolio by 2030. As an example of suggested ambition, the Net Zero Asset Owners Alliance has called for a 16% to 29% reduction in total portfolio emissions by 2030, which some of its members have met in their published interim targets. The net zero coalitions all call for entities to publish five-year emission reductions plans shortly after signing up, so we anticipate seeing more interim milestones announced soon. In the run-up to COP26 we are already seeing some financial institutions announce detailed short-term mitigation targets, which hopefully signifies an increase in these necessary intermediate steps.³¹ These announcements will both help companies meet their long-term goals and allow for better tracking of progress.

²⁹ See, for example, the Net Zero Asset Managers Initiative's commitment statement on the need for a 2030 target: Net Zero Asset Managers Initiative. 2021. "Net Zero Asset Managers Initiative." <https://www.netzeroassetmanagers.org/>, commitment #1.

³⁰ Interim goals refer to mitigation commitments with a target year of 2030 at the latest.

³¹ See, for example, Markets Insider. 2021. "Zurich Insurance To Accelerate Cuts in Carbon Emissions – Quick Facts." <https://markets.businessinsider.com/news/stocks/zurich-insurance-to-accelerate-cuts-in-carbon-emissions-quick-facts-1030782894>.

Interim mitigation targets are more common for internal operations (scope 1 & 2) and non-portfolio scope 3 emissions. 79% of these targets focus on scope 1 & 2 emissions. Most of the remaining targets tackle business travel (scope 3) emissions.

Companies will almost certainly need to rely on carbon offsets to achieve net zero given investments in hard-to-abate sectors where no mitigation options exist. Science-based reports are increasingly calling for offsets to be used only where no viable alternatives for eliminating emissions exist.³² The net zero alliances are consistent in suggesting using offsets only for those limited emissions without feasible reduction options, but we have not yet seen companies identify which parts of their portfolios will require offsetting and what offset tools they will use.³³

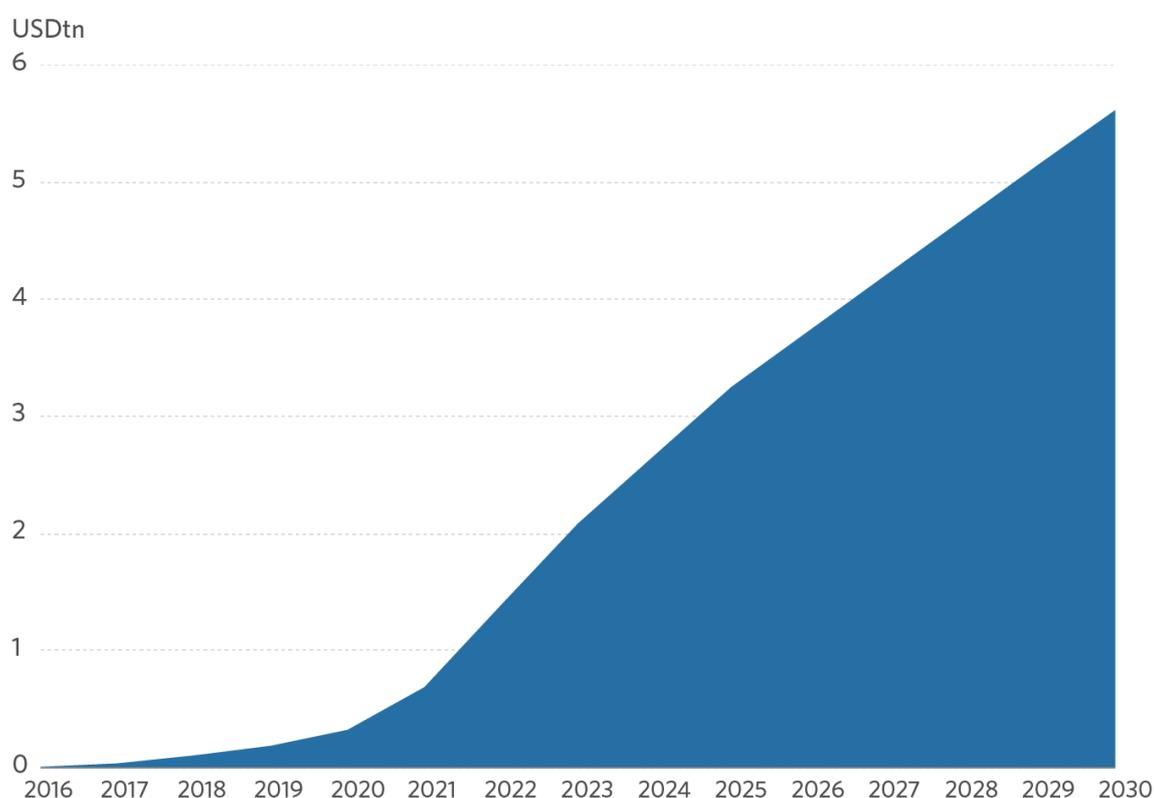
³² Rogelj, J., D. Shindell, K. Jiang, S. Fifita, P. Forster, V. Ginzburg, C. Handa, H. Kheshgi, S. Kobayashi, E. Kriegler, L. Mundaca, R. Séférián, and M.V. Vilariño, 2018. "Mitigation Pathways Compatible with 1.5 C in the Context of Sustainable Development." In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty (Chapter 2). Intergovernmental Panel on Climate Change. https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf.

³³ See, for example, the Net Zero Banking Alliance's commitment statement: Net-Zero Banking Alliance. "Net-Zero Banking Alliance Commitment Statement". <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf>, p. 2; and the Net Zero Asset Owners Alliance's comment on carbon removal technology: Net-Zero Asset Owner Alliance. 2021. "Net-Zero Asset Owner Alliance Backs Call to Scale-Up Carbon Removal from Atmosphere." <https://www.unepfi.org/news/industries/investment/net-zero-asset-owner-alliance-backs-call-to-scale-up-carbon-removal-from-atmosphere/>.

6. INVESTMENT GOALS

Committed climate investment amounts have dramatically increased recently – almost USD 6 trillion cumulatively is committed by financial institutions to climate solutions by 2030, led primarily by commercial banks. **Commercial banks have committed USD 5.6 trillion to climate finance, representing more than 99% of all committed finance.** For other FI categories, we find individual actors drive the trend, despite coalitions such as NZAMI and NZAOA calling for an “increase investment in climate solutions.”³⁴

Figure 7. Cumulative climate-earmarked investment commitments assuming linear progress (USDtn).



Note: Committed investment amounts are pro-rated by year, assuming a linear increase through the end date.

³⁴ See, for example, Net Zero Asset Managers Initiative. 2021. “Net Zero Asset Managers Initiative.” <https://www.netzeroassetmanagers.org/>.

Over the next decade, the most systemically impactful institutions have committed to investing or financing an annual average of USD 529 billion in climate finance, assuming linear progress each year through 2030. In comparison to these top-line investment goals, total tracked climate finance in 2020 reached USD 640 billion, with private investment accounting for 49% of that amount.³⁵ While a one-to-one comparison is not possible, if financial institutions reach these investment commitment targets and they are additional to the current baseline volume of investment flows, it would represent at least a 95% increase over current private finance flows.

Institutions have different methodologies for which activities they included in these climate finance goals, but for banks it is typical to include the total amount the bank helped another company or government raise in debt or equity in addition to project finance in the form of equity or debt. Some companies may also include acquisition of shares in a renewable energy company. CPI's Global Landscape of Climate Finance defines climate finance as "primary capital flows directed toward low-carbon and climate-resilient development interventions with direct or indirect greenhouse gas mitigation or adaptation benefits".³⁶ A financial institution's purchase of a renewable energy company's equity on the secondary market would not be included in this definition.

Despite the substantial increase in climate finance flows these commitments could represent, the amount committed still falls short of the overall global need. The estimated annual investment need in the energy system alone through 2050 is between USD 4.5–5 trillion, a 7.5x–9.5x increase relative to the financial institutions' current investment goals. As financial institutions set out to reach these goals, it is vital that in addition to aiming to meet these ambitious goals they focus on spending capital in ways that will prompt real economy changes. They should only count investments that are additional to business as usual, as opposed to focusing on secondary market transactions such as trading equities in renewable energy companies.

On top of simply increasing the overall ambition and ensuring additionality, a portion of these flows will need to be directed towards specific sectors and regions, especially developing economies, areas in which private finance actors have historically only scarcely invested. **Despite the need, investment goals still lack specificity.** Few of these commitments are detailed at a sectoral and regional level.

³⁵ Climate Policy Initiative. 2021. "Global Landscape of Climate Finance 2021."

³⁶ See Climate Policy Initiative. 2019. "Global Landscape of Climate Finance 2019 – Methodology." <https://www.climatepolicyinitiative.org/wp-content/uploads/2019/11/GLCF-2019-Methodology-Document.pdf>.

USD 3.5 trillion is committed to an unspecified “green finance” category, while renewable energy and low-carbon transport are the next most common sectors. **Only four commitments we tracked specify a target region**, although more recent announcements are aimed at mobilizing finance for developing economies.³⁷ Including details on implementation in commitment announcements is essential to evaluate the integrity and quality of the commitment, both for financial institutions and practitioners. Moreover, increased transparency can help drive action and ambition levels across the FI ecosystem. Public finance can play a key role in increasing private finance investment in developing economies by providing concessional finance to spur innovative financing approaches in the form of, for example, grants, first-loss capital, and currency risk insurance.

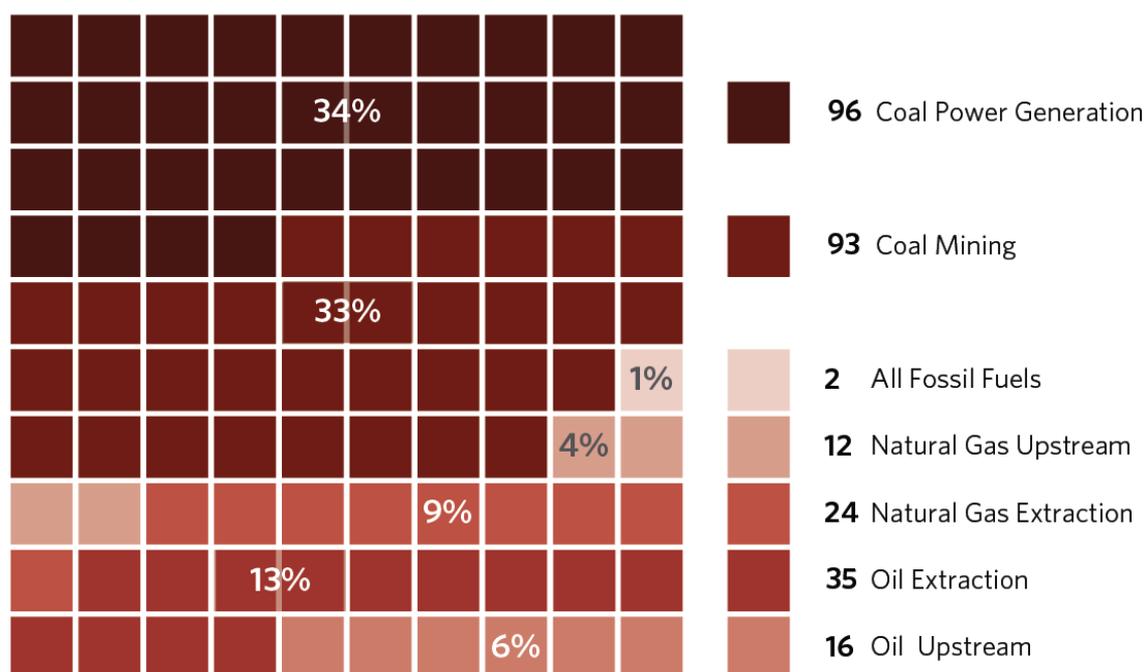
Still, past trends indicate that commitments with increased ambition are likely to replace existing ones in the future. For example, in 2017 JP Morgan Chase committed USD 200 billion to clean energy financing by 2025, and in 2021 updated that commitment to USD 1 trillion by 2030. Non-commercial banks are joining as well. In 2021, Brookfield Asset Management raised USD 7 billion for a global energy transition fund. Also in 2021, BlackRock and Temasek launched a USD 600 million decarbonization private equity fund. The net zero coalitions' call for entities to publish interim targets could further motivate added commitment ambition and specificity in the future.

³⁷ See, for example, HSBC. 2021. “HSBC and Temasek Launch Partnership to Catalyse Sustainable Infrastructure Projects in Asia.” <https://www.hsbc.com/news-and-media/media-releases/2021/hsbc-and-temasek-launch-partnership-to-catalyse-sustainable-infrastructure-projects-in-asia>.

7. EXCLUSION AND DIVESTMENT

Fossil fuel exclusion and divestment commitments were the second most popular type of commitment made by tracked entities, with over 100 exclusion commitments made to date. The uptick in fossil fuel exclusion announcements is in line with the most up-to-date science as reflected by the IPCC, the United Nations, and the International Energy Agency, among many others calling for a cessation of financing for fossil fuel infrastructure.

Figure 8. Fossil fuel exclusion and divestment announcements (financing, investment, and insurance).



As evident from Figure 8, **coal mining and power generation are the focus of most exclusion announcements**. The uptick in coal exclusion commitments coincides with calls from as early as 2015 to end greenfield coal financing by the IPCC and the UN. EU institutions are behind most of these exclusion announcements. The EU Sustainable Finance Disclosure Regulation requires that financial institutions identify and publish information about how they account for “sustainability risks” in their investment advice or decision-making. Fossil fuel divestment has also been a strong focus of advocate groups operating in the region. Together, these may explain why EU institutions are more aggressive in excluding certain fuels sooner.

Commitments to exclude coal vary in their scope and stringency. Few companies have committed to excluding all coal financing, with many committing to only excluding greenfield projects in the years to come. Indeed, many commitments still allow for some coal financing, investment, and insurance to take place as companies place thresholds for exclusions. These thresholds vary from excluding companies from investment or financing that generate more than 5% of their revenue from coal on the most stringent end of the spectrum, to allowing for continued investment in companies if less than 40% of revenues are derived from coal. In addition to the well documented impacts on climate change and air pollution of coal generation, continuing to finance these assets raises concerns over the impact of stranded assets in financial institutions' balance sheets and makes a managed and just transition more difficult.³⁸

Despite widespread recognition that most fossil fuel infrastructure will need to be decommissioned over the next few decades, **oil and gas exclusion commitments represent less than a third of all fossil fuel exclusion announcements.**³⁹ Where commitments have been made, they have focused on ending support for Arctic drilling and development of tar sand deposits. The low oil price environment over the last few years, together with the significant expenses and technical challenges involved in Arctic drilling and targeted advocacy efforts could explain the lack of appetite for developing these resources. More recent announcements may affect this trend – for example, Caisse de depot et placement du Quebec announced in September 2021 that it will look to divest its oil production assets by 2022.⁴⁰

The latest UN Human Development Report has called for people and nature to be placed at the core of the sustainable development agenda.⁴¹ Yet, **non-climate commitments to end deforestation and protect biodiversity remain sparse.** We recorded only four commitments to exclude financing for activities that contribute to deforestation, and no commitments on biodiversity. 32 entities we are tracking have signed on to the Finance for Biodiversity pledge, which calls for reversing nature loss through collaboration, shareholder engagement, impact assessment, and target setting and reporting.⁴² However, we did not identify concrete examples of commitments that met our criteria. These considerations and advocacy efforts

³⁸ Sustainable Energy for All and Climate Policy Initiative. 2021. "Coal Power Finance in High-Impact Countries." <https://www.seforall.org/publications/coal-power-finance-in-high-impact-countries>.

³⁹ International Energy Agency. 2021. "Net Zero by 2050: A Roadmap for the Global Energy Sector." https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf.

⁴⁰ Maiya Keidan. 2021. "Canada's second-largest pension fund says first to exit oil assets." Reuters. <https://www.reuters.com/business/sustainable-business/canadas-second-largest-pension-fund-caisse-reveals-new-climate-targets-2021-09-28/>.

⁴¹ UNDP. 2020. "Human Development Report 2020." <http://hdr.undp.org/sites/default/files/hdr2020.pdf>.

⁴² Finance for Biodiversity. 2021. "Finance for Biodiversity Pledge." https://www.financeforbiodiversity.org/wp-content/uploads/1.-Pledge-Finance-for-Biodiversity-Pledge_Sept2021.pdf.

are relatively recent and biodiversity is still a new asset class, so financial institutions have not yet created explicit policies to address biodiversity and deforestation.

The continued support of fossil fuels, even at lower levels, and lack of attention to environmental concerns poses questions as to whether divestment or engagement is the right path forward.

To divest or to engage?

Our database contains 19 shareholder engagement commitments and 77 divestment commitments.⁴³

Overall, divestment commitments have firm divestment percentages and timelines, while engagement commitments are a mix of general promises of intervening to achieve net zero and promises of creating hard deadlines and goals for companies that are part of the portfolio. As examples of what these commitments look like:

- Societe Generale commits to reduce exposure to oil & gas by 10% by 2025.
- HSBC commits to phase out coal financing in OECD and EU countries by 2030 and globally by 2040. To achieve this, HSBC will engage with its clients to promote decarbonization. The bank further committed to reporting annually on progress.
- Nordea Bank commits to engage with its high emission customers to set low-carbon transition plans

Engagement allows shareholders to put pressure on companies they partly own to introduce more sustainable ways of doing business. Many divestment commitments contain an engagement option – for example, even if a company has more revenue from coal than is allowed by an FI's policy threshold, they will avoid divestment if that company has a credible and actionable transition plan.

Whether to prioritize engagement or divestment depends on a number of factors, including the size of the financial institution, the business model of the

⁴³ These 77 commitments are a subset of the 100 exclusion and divestment commitments referenced earlier, and are defined as those where an entity will reduce equity investments, as opposed to limiting financing or insuring of a company or project.

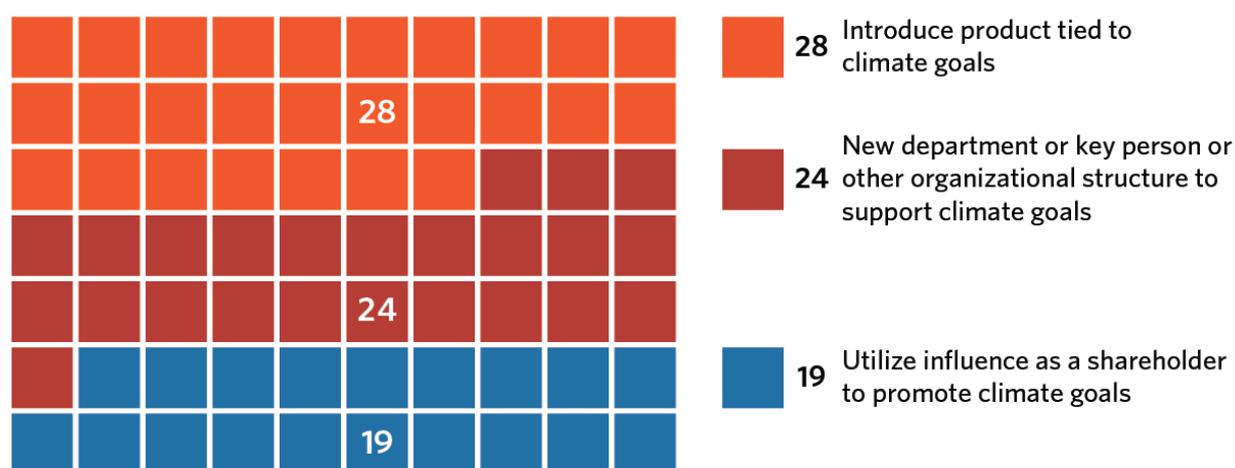
company at-issue, and the presence of additional financiers. Divestment can put downward pressure on the share price, making it harder for the company to raise new capital. However, some oil companies have cash reserves large enough not to be affected by this lack of access to financing. When a company's shares become sufficiently cheap relative to its profit stream, there is the possibility that a new purchaser will be less concerned about minimizing the company's environmental impact than those divesting, potentially leading to 'leakage'. Passive asset managers also may not technically be able to divest from assets that are part of the index the fund tracks, so engagement may be the only option.

Ultimately, this is a collective action problem and leading financial institutions and net zero alliances should be consistent in requiring companies to have credible action plans, reduce funding of new fossil fuel projects, and wind down existing high-carbon infrastructure consistent with the timeline laid out by the IPCC.

8. NEW BUSINESS PRACTICES

Introducing new business practices is a further means for financial institutions to achieve their climate targets. New business practices cover both internal and external actions, including opportunities for financial institutions to work across their portfolio of clients to achieve targets. Businesses have taken multiple paths to implementing targets, and many approaches also represent business growth opportunities.

Figure 9. FI business practice changes to implement climate commitments.



Introducing new ESG-related products is the main action financial institutions have taken within this taxonomy category to achieve their climate goals – we tracked 28 of these commitments, out of a total of 69 new business practices. These commitments range from deepening current product offerings to building new lines of business:

- **Example 1:** BNY Mellon pledged in 2019 to expand its ESG scoring so that clients can make a more informed decision when choosing an investment vehicle
- **Example 2:** HSBC Global Asset Management and Pollination Group partnered in 2020 to create a series of funds focused on natural capital – agriculture, forestry, oceans, and biodiversity

Further analysis is required to understand the real economy benefit of the commitments we've tracked as concerns over possible greenwashing exist.⁴⁴ CPI recently released its Net Zero Finance Tracker which aims to track progress to meet net zero across the financial system and real economy, which would establish whether companies and sectors are in fact making an impact commensurate with their commitments.⁴⁵ The Net Zero Finance Tracker tracks indicative qualitative commitments and quantitative targets adopted to address climate change, as well as factors that may influence future capital alignments such as membership of initiatives and changes to actor policies, governance, and investment approach. Finally, it integrates quantitative changes in stocks and flows of relevant climate finance to track progress.

Entities are also introducing pledges to address internal operations and client management strategies.

- **Example 1:** Deutsche Bank, starting in 2020, is linking management compensation to sustainability ratings from different ESG ratings agencies and on success in reducing the bank's own energy consumption
- **Example 2:** State Street Global Advisors will use the threat of shareholder votes to push companies to meet certain ESG standards, starting in 2020
- **Example 3:** Hedge fund Engine No. 1 led a proxy engagement campaign around one of its holdings, ExxonMobil, to elect a new slate of board directors that were more climate competent

When it comes to utilizing shareholder influence to drive action within investee companies, some recent evidence suggests companies are willing to follow through on these threats, but further research is required to understand the true potential impact of such actions.

Overall, in order to meet their ambitious commitments including mitigation targets, investment goals, and exclusion and divestment policies, financial institutions should fully integrate net zero targets and SDG commitments in a "whole institution" approach, including mandates, governance, executive compensation, and performance management. Financial institutions should also engage counterparties to adopt credible targets and transition plans and encourage counterparties to establish 1.5°C-aligned business strategies and publish ambitious climate targets.

⁴⁴ Tim Quinson. 2021. "Regulators Intensify ESG Scrutiny as Greenwashing Explodes." Bloomberg Green. <https://www.bloomberg.com/news/articles/2021-09-01/regulatory-scrutiny-of-esg-greenwashing-is-intensifying>.

⁴⁵ Valerio Micale, Rob Macquarie, Baysa Naran, and Angela Falconer. "Net Zero Finance Tracker." 2021. <https://www.climatepolicyinitiative.org/publication/net-zero-finance-tracker/>.

9. RECOMMENDATIONS

Commitments we tracked from major financial actors have, over the last two years, dramatically increased in number, scope, and ambition, increasing awareness of the needs and potentially keeping the goals of the Paris Agreement in reach. However, further steps are needed to both make sure these commitments are met and to expand financial actors' impact on the real economy. It is vital that financial institutions work to ensure the integrity of their own commitments in addition to using their market power to drive transformational change in a moment when there has been an absence of ambitious public policy.

To this end, we propose the following recommendations for each of the taxonomy categories we tracked and for various types of actors, including financial institutions, net zero coalitions, and policymakers. Some of these recommendations are consistent with what net zero alliances are requiring of their members and signatories, including setting interim emissions reduction targets, annual reporting on progress made, and clear guidelines on when carbon offsets will be used. Different types of actors will have different roles to play in addressing climate change – as well as different sub-types of actors. For example, within the asset manager category, venture capital and private equity firms may take a different approach than mutual funds to reduce emissions. Further work is necessary to provide this level of granularity.

Mitigation targets and transition plans. Companies that have set net zero goals must now set short-term targets that show they are serious about making progress and instituting change. This includes both general portfolio emissions reductions, but also complementary targets for different sectors and regions. These goals should be focused on real-world changes, as opposed to just shifting of assets, and must cover all scope 3 / portfolio emissions, in addition to internal operations. Given that so many of the commitments we tracked are from institutions in US & Canada and Western Europe, net zero coalitions should bring in major financial actors from non-OECD countries to ensure all financial assets are aimed at the same target. As a first step, net zero coalitions should provide their expertise on tracking and reporting emissions so that entities from non-OECD countries can identify how to reduce their financed emissions.

In addition to mitigation targets, companies and alliances should develop credible transition plans, including identifying and mitigating climate risk and improving resilience. Policymakers should require climate risk and net zero transition plan

disclosure to ensure that data are standardized and widely available, which will make it easier for financial institutions to identify investments that are at risk and manage the transition away from fossil fuels.

Investment goals. As in mitigation targets, for those commercial banks that have set ambitious goals, further details are needed and progress should be reported on. In addition to financing and investing in regions and sectors that are already mature, such as renewable energy in Western Europe for example, financial institutions should commit funds to hard-to-abate sectors and developing economies to ensure progress is made in an equitable manner and towards a net-zero, resilient future. Non-commercial banks have a role to play here as well – asset managers, asset owners, and insurers can target investments in certain sectors and regions, commit to purchase low-carbon solutions, and act as first-movers on innovative financial products. All private actors should prioritize investments with real economy impacts, as opposed to just secondary market transactions. Public finance should be used to crowd-in private capital, especially in less mature sectors, so that private actors can increasingly raise their ambition. CPI's Global Landscape of Climate Finance finds that current flows are only about 10% of the annual amounts needed to achieve net zero by 2050, and the private sector and financial institutions in particular have a crucial role to play in mobilizing finance.

Exclusion and divestment. Financial institutions should focus on tightening current exclusion policies and showing leadership in expanding their commitments to include all fossil fuel infrastructure, including reducing funding for new projects and winding down existing ones. Asset managers and owners should press companies in their portfolios to disclose the source of their revenues (whether they are clean or high carbon) and be willing to act against those without credible action / transition plans. Given that it only takes one actor to provide funding (or insurance) for a project or company, net zero alliances, in addition to groups specifically focused on these issues like CA100+, play a crucial role in setting new industry standards for what should be financed and where. For portfolio companies that are serious about wanting to reduce their emissions, financial institutions should constructively engage and provide the guidance and innovative financing needed to reach those goals.

Public actors can help in reducing subsidies to make fossil fuel projects less appealing and require climate risk disclosure to illuminate the source of emissions. Advocacy organizations should continue with the region- and sector-specific campaigns to stop funding for certain locations and sectors, since that has been a successful approach in reducing funding for coal, Arctic drilling, and tar sands

projects. These efforts should be expanded to include non-climate-specific goals such as deforestation and biodiversity.

New business practices. For entities to meet their goals, they will need to use a whole-of-institution approach to drive action across all levels and layers of their company. This includes introducing new products and business models, but also actions to ensure that these steps are not just greenwashing. This can include frequent reporting on additionality of products, investments in carbon accounting and industry-wide collaboration to ensure consistent standards, and taking shareholder actions like voting to appoint climate-competent Board members. Net zero alliances and policymakers can similarly work with financial institutions to implement best practices more widely. We did not review policy support or lobbying as part of this report, but the support of policymakers will be necessary to create demand signals on which financial institutions can base their strategies to achieve net zero. Financial institutions should continue to work collaboratively with policymakers and be clear advocates for more ambitious policy support that will make achieving net zero feasible.⁴⁶

Transparency and reporting. Frequent reporting of progress made on the above categories of commitments is necessary to ensure investors and policymakers can keep track of leaders and laggards. Many of the net zero alliances have required annual reporting on progress made, and the alliances and leading financial institutions have a role to play in establishing disclosure standards and creating tools to make reporting easier for smaller and newer institutions. Companies should also work with governments to identify the best opportunities for public finance to catalyze private capital and pass ambitious policies that will make it easier for financial institutions to meet their net zero goals. Research and advocacy organizations should continue to track and analyze commitments in the future, building on this taxonomy to identify progress, ensure institutions are meeting their goals, and expand the work to cover other necessary aspects of the transition to addressing climate change.

⁴⁶ GFANZ, among other coalitions, has been vocal in its support for more climate action from governments. See, for example, Glasgow Financial Alliance for Net Zero. 2021. "Act Now: Financial leaders urge more climate action from the G20." <https://assets.bbhub.io/company/sites/63/2021/10/GFANZ-call-to-action.pdf>.

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11. ANNEX 1: NET ZERO ALLIANCE MEMBERSHIP REQUIREMENTS

Alliance	Interim targets	Offsets	Regular reporting	Shareholder actions
PAII Net-Zero Asset Owner Commitment	<ul style="list-style-type: none"> At least an interim target by 2030 (covering Scopes 1, 2, 3, and portfolio emissions) consistent with a fair share of 50% global reduction in CO2 	<ul style="list-style-type: none"> Where there are no technologically and/or financially viable alternatives, invest in long-term carbon removals. 	<ul style="list-style-type: none"> Annual reporting on strategy and progress, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 	<ul style="list-style-type: none"> Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with achieving net zero emissions portfolio emissions by 2050 or sooner.
Net-Zero Banking Alliance (NZBA)	<ul style="list-style-type: none"> Members have to set a 2030 and 2050 target (covering Scopes 1,2,3*, and portfolio emission). Further intermediary targets should be set every 5 years from 2030 onwards. Member's first 2030 targets should focus on priority sectors. 	<ul style="list-style-type: none"> Where there are no technologically and/or financially viable alternatives, invest in long-term carbon removals. Offsets should always be additional and certified. 	<ul style="list-style-type: none"> Annually publish absolute emissions and emissions intensity in line with best practice. Within a year of setting targets, disclose progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies. 	<p>Not available</p>

<p>Net Zero Asset Managers Initiative (NZAM)</p>	<ul style="list-style-type: none"> • Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C. • Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner. Members ought to review their interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included. 	<ul style="list-style-type: none"> • Where there are no technologically and/or financially viable alternatives, invest in long-term carbon removals. 	<ul style="list-style-type: none"> • Annual reporting in line with TCFD recommendations. Report and climate plan shall be submitted to the Investor Agenda for review. 	<ul style="list-style-type: none"> • Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with achieving net zero emissions portfolio emissions by 2050 or sooner. • Provide clients with information and analytics on net zero investing and climate risk and opportunity.
<p>Net Zero Asset Owners Alliance (NZAOA)</p>	<ul style="list-style-type: none"> • Alliance commitments require Alliance members to publish interim targets every 5 years. • In addition to setting Scope 3 emissions targets, Alliance members are encouraged to set net-zero targets on their own Scope 1 and 2 emissions. • The Alliance further recommends that members set targets on Scope 1 and 2 emissions for their underlying holdings and on Scope 3 of underlying holdings for 'priority sectors' when possible. 	<p style="text-align: center;">Not available</p>	<ul style="list-style-type: none"> • Alliance members will report their emissions reduction targets and associated progress in CO2e. 	<ul style="list-style-type: none"> • At the portfolio level, Alliance members should track emissions, but are not yet expected to set targets until data becomes more reliable.

<p>Net-Zero Insurance Alliance (NZIA)</p>	<ul style="list-style-type: none"> Establishing its intermediate, science-based targets every five years, in line with the NZIA target-setting protocol. 	<ul style="list-style-type: none"> Where there are no technologically and/or financially viable alternatives, invest in long-term carbon removals. Offsets should always be additional and certified. 	<ul style="list-style-type: none"> Annual reporting on progress in whatever form and detail Member' consider appropriate. 	<ul style="list-style-type: none"> Engaging with clients and potential clients, particularly those with the most GHG-intensive and GHG-emitting activities, on their decarbonization strategies and net-zero transition pathways
<p>Science Based Targets Initiative</p>	<ul style="list-style-type: none"> Targets (covering Scopes 1,2,3*, and portfolio emissions) must span a minimum of 5 years and a maximum of 15 years. Companies are encouraged to develop such long-term targets up to 2050 in addition to the required mid-term targets. Long-term targets must be consistent with limiting temperature increase to well below 2°C compared. 	<ul style="list-style-type: none"> The use of offsets is not counted as an emission reduction toward the progress of companies' science-based targets. The SBTi requires that companies set targets based on emission reductions through direct action within their own operations or their value chains. Offsets are an option only for companies wanting to finance additional emission reductions beyond their science-based targets. 	<ul style="list-style-type: none"> Annual public reporting of company-wide GHG emissions inventory and progress. 	<ul style="list-style-type: none"> FI's clients shall follow the latest SBTi criteria for companies to set scope 1 and 2 targets, as well as scope 3 targets when their scope 3 emissions are more than 40 percent of total scope 1,2, and 3 emissions.

12. ANNEX 2: COMMITMENT COLLECTION PROCESSES

The following keywords were used to search for relevant articles:

"climate commitment", "reduce emissions", "climate target", "coal divestment", "net zero", "fossil fuel divestment", "oil divestment", "Arctic drilling", "shareholder pressure", "Climate Action Plan", "ESG", "sustainable finance", "green finance", "deforestation", "tropical forest", "sustainable forestry", "Amazon forest", "palm oil"

These keywords were searched in conjunction with each entity name in the following news sources: Bloomberg, Financial Times, Reuters, Business Insider, The Economist, Wall Street Journal

When additional information was required, we would review other sources, including institutions' websites. While not an exhaustive list, in our initial review we found that these sources covered all commitments with a high-level of detail.

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