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Sustainable finance OBSERVATORY

EUROPEAN BANKS' 'NET ZERO' COMMITMENTS

Analysis of NZBA signatory banks' 'net zero' transition plans based on data from the Net-Zero Donut®

Report

December 2nd, 2024

About the Sustainable finance observatory

The Sustainable Finance Observatory was created by the Minister of the Economy and Finance during the Declaration of the Paris Financial Centre on 2 July 2019, and has a public-interest mission to contribute to the transparency, monitoring and assessment of the transformation of French and international financial institutions. To this end, it carries out various studies and publishes the resulting data on its open access website in order to provide a comprehensive overview of the financial sector's transition towards sustainability.

The Observatory is a project of the European Finance ClimAct programme, which supports the integration of climate considerations into financial institutions' operations as part of the LIFE programme. It is hosted by the public interest foundation Paris Agreement Research Commons (PARC), which aims to foster an international research ecosystem to produce applied research and robust tools to accelerate the transition trajectory of financial institutions towards the Paris Agreement goals.

The Observatory relies on the PARC Foundation's Scientific and Expert Committee to ensure the methodological rigour and relevance of each of its studies.

The Observatory's objective is to understand, compare and monitor the contribution of different economic actors to a low-carbon and sustainable society. To this end, it provides freely accessible data and studies, on an individual and global scale. Find all the Observatory's work on its website.

The Observatory's main studies are:

- **Analysis of regulatory data**: review of ESG Pillar 3 reports of the 15 main European banks and statistical analysis of over 700 SFDR reports collected from French financial institutions in collaboration with ADEME through the Climate Transparency Hub (CTH).
- **Individual commitments monitoring**: an annual collection and comparison of 53 financial institutions' ESG commitments, representing more than 2,000 commitments over five years analysed in the light of the commitments guide drawn up by the Observatory.
- **The Net-Zero Donut®**: an exclusive, visual and holistic monitoring tool of financial institutions' transition plans towards net zero, based on the GFANZ principles and supplemented by the most demanding frameworks available. It is the subject of this report.

Authors of the report: Chau Anh Nguyen et Raphaël Tran

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The Net-Zero Donut and this report were produced by the Sustainable finance observatory.

PARC

The Net-Zero Donut methodology has been reviewed by the PARC Foundation's Scientific and Expertise Committee.

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With the support of ADEME, the French ecological transition agency.

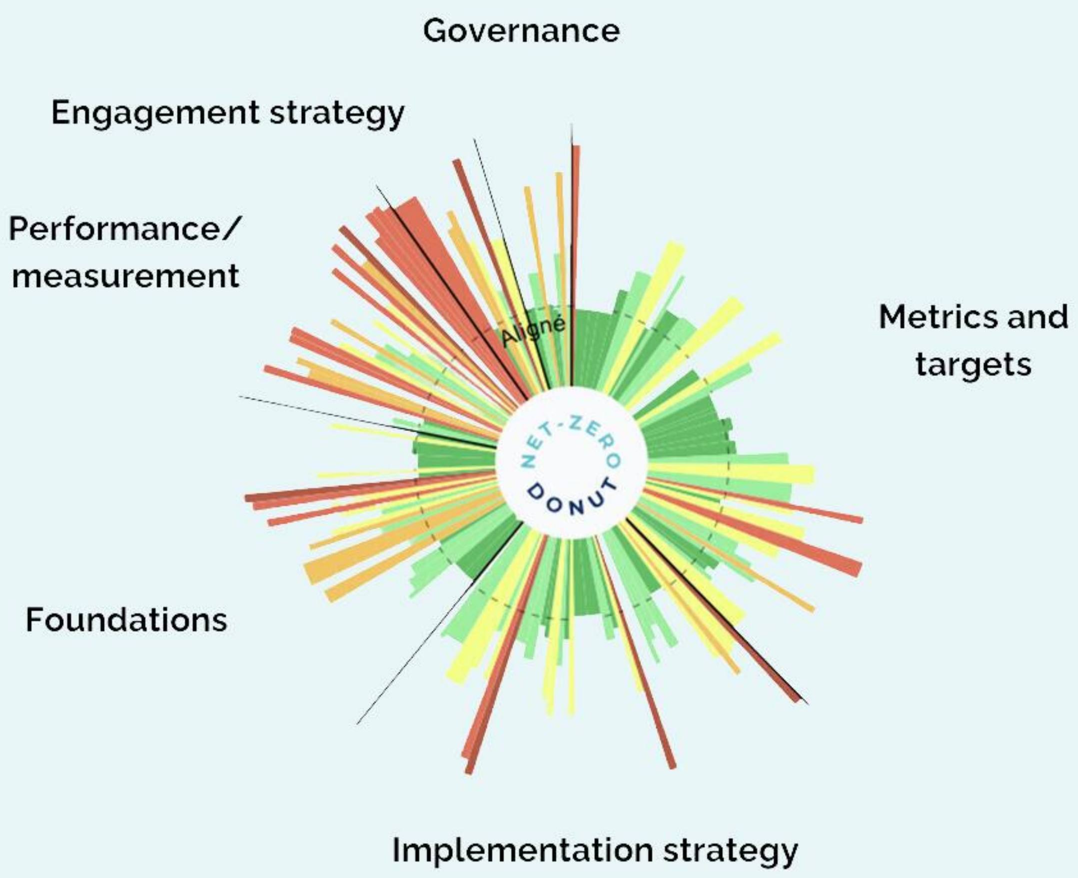
Executive summary

Presentation of the framework

The Net-Zero Donut is a framework for analysing financial institutions' climate transition targets and plans. In 2024, it includes more than 222 indicators to monitor and assess the interim targets set, the definitions adopted for green activities, internal climate risk management processes, climate skills management, sector policies, particularly on fossil fuels, and other transition plans aspects. The financial institutions analysed are the signatory members of the NZAM, the NZAOA and the NZBA on a French and European scale.

This report is based on this analytical framework, and takes stock of the practices of **19 major French and European banks that are signatories to the NZBA** (see section 3.1.). These banks, committed to achieving carbon neutrality by 2050, have set interim decarbonisation targets for the near future (2025, 2030) based on the methodology proposed by the NZBA.[1]

Below is the aggregated Net-Zero Donut for the 19 banks in 2024.



[1] NZBA - Guidelines for Climate Target Setting for Banks – Version 2

Data analysis

‘Banks do not prioritise the analysis of the transition plans of the companies they finance’

Framework for analysing companies’ transition plans – The financial sector’s contribution to achieving the Paris Agreement starts with allocating financial flows to companies that need them to successfully decarbonise their processes and value chain. However, banks and the NZBA do not yet appear to be structuring their strategy around analysing companies’ transition plans and categorising them in terms of their transition, as proposed by the GFANZ (aligned, in the process of aligning, non-aligned). Instead, they continue to focus mainly on technical targets, aggregated in terms of greenhouse gas emissions (GHG), which only allow for ex-post monitoring of companies’ effective decarbonisation, but not for upstream steering.

‘Only one bank is planning an early phase-out of fossil fuels’

Fossil fuels – Ceasing financing activities that are incompatible with a low-carbon economy is the other essential element of the financial sector’s contribution to the Paris Agreement. Banks’ practices are **heterogeneous** with regard to fossil fuels. While all the banks in this study’s scope have set fossil fuel exposure reduction targets (generally with separate targets for thermal coal on the one hand and oil and gas on the other), only one bank appears to have committed to moving away from oil and gas. A majority are committed to a complete exit from coal (including 16% before 2030). Coverage of the sector’s value chain is also generally incomplete and varies from one bank to another. In fact, the value chains used in the calculations rarely encompass upstream, midstream and downstream activities. In addition, a small proportion of banks communicate on their carbon emissions and residual exposure to coal. Finally, **84% of the banks analysed continued to allocate new financing to oil and gas-related companies in 2024**, which is contrary to any credible transition plan according to the IEA and the IPCC.

‘All banks have set sectoral GHG emission reduction targets’

Sectoral emissions reduction targets – All banks have set sectoral greenhouse gas emission reduction targets covering all or part of the 9 most carbon-intensive sectors of the economy covered by NZBA (agriculture, aluminium, cement, coal, real estate, steel and metals, oil and gas, power generation, and transport), although some sectors are only considered by a minority of banks (aluminium, agriculture). A large majority of banks also support these sectoral targets with transition financing targets across a broader scope of assets.

‘48% of the sectoral decarbonisation targets have not progressed’

Progress in reaching targets – Overall, compliance with the interim targets set appears to be **partial**. In fact, 48% of the sectoral decarbonisation targets of the banks in our study have not progressed and only 42% of these targets followed a linear trajectory in 2023.

‘16% banks disclose their absolute emissions for full scopes 1, 2 and 3’

GHG emissions – Banks seem to agree on a minimum basis for their carbon accounting methodology, all referring to the PCAF and GHG Protocol standards (which themselves vary in terms of implementation). As part of the sectoral targets they set, their financed emissions are detailed at least in terms of physical intensity for the sectors concerned. A minority of banks also choose to publish them in monetary intensity or absolute value. However, the final absolute value of emissions financed is almost never reported, with only 16% of banks in the sample doing so for a full scope 1, 2 and 3.

‘No French bank has published a holistic transition plan’

Focus on French banks – The analyses carried out in this study did not reveal any major differences between French and European banks in terms of their intermediate targets reporting. In fact, the French banks in the scope analysed (8 banks or 42% of the sample) show few differences in practice from their European counterparts when it comes to the content of their extra-financial reports, or the amount of information made publicly available. However, to date they have not published a holistic transition plan as required by the NZBA. This shortcoming should be remedied by the application of the CSRD.

‘37% banks include their off-balance sheet activities’

Financial activities – The financial activities covered by interim targets differ between banks. Although all banks in the study define their interim targets on their lending activities, only 37% of them include their off-balance sheet lending activities, and a small majority of banks (53%) also include their capital markets activities in the financial scope of their interim targets.

Recommendations

In response to these findings and to the statistical breakdown presented in section 3 of this report, **the Observatory has formulated 21 recommendations** on the transparency of extra-financial reports, on the content of transition plans, on sectoral policies, on indicators for steering the transition beyond the carbon metric and on engagement strategies.

The main recommendations are as follows:

- Recommendation 1: **Financed emissions should be systematically measured using the widely adopted Partnership for Carbon Accounting Financials (PCAF)** methodology, and should be disclosed in detail by financial activity, asset class, business sector and emissions scope. They should be presented in absolute value (tCO_2e) and monetary intensity (tCO_2e/€M/turnover), and in physical intensity values for relevant sectors (e.g. tCO_2e/GWh, tCO_2e/t cement). The scope of financing covered by financed emissions and the published interim targets should be clearly stated, specifying the coverage rate of the overall portfolio and which financings are excluded from the scope. Banks should aim for full coverage of their financing portfolio.

- Recommendation 4: **Exposure to oil and gas should be granular**, detailing exposures by financial product and by industry, and detailing in particular the following activities that are controversial or inconsistent with scientific recommendations: new oil and gas production projects and expansions, new liquefied natural gas terminal projects, new oil and gas pipeline projects, Arctic oil and gas exploration and production, shale oil and gas exploration and production, oil sands exploration and production, and ultra-deep offshore oil and gas exploration and production. This includes project financings and corporate financings to companies conducting these activities. These amounts should be detailed in flows and stocks.

- Recommendation 6: **Financial institutions should systematically equip themselves with a framework for analysing the sufficiency and credibility of the transition plans of the companies financed**, as well as for defining low-carbon activities and those incompatible with achieving the Paris objective (‘green’ and ‘brown’ activities). This includes so-called ‘green’, ‘sustainable’, ‘low-carbon’ assets, and ‘climate solutions’. These elements should be at the heart of their transition plan in order to ensure an ex ante reallocation of financial flows: financing targets, commitment priorities, exclusion policies. These analytical frameworks should be based on common methodological frameworks such as the ATP-Col guidelines or recognised external frameworks such as the CBI and ACT Finance methodologies in order to ensure their comparability between financial institutions to enable a consistent reallocation of financial flows.

- **Recommendation 7: Financial institutions' transition plans should aim for a plurality of interim targets**, including targets for financing actors in transition/low-carbon activities, and trajectories for divestment from 'brown' activities. Targets formulated in absolute or relative greenhouse gas emissions (physical intensity, monetary intensity), useful for additional ex post monitoring, should be subject to rigorous methodological monitoring given the existing limitations of carbon accounting. At a minimum, financial institutions should have interim targets in physical intensity for the most intensive sectors.

- **Recommendation 13: The scope of the sectoral policies should be extended to cover all financial activities**, including subsidiaries' activities and investment banking activities, including bond and equity issuance. Scope of activities: loans and advances (including revolving), project finance, trade finance, export finance, advisory services for securities issuance (equities and bonds), guarantees given and other off-balance sheet activities.

- **Recommendation 14: Sectoral policies should cover the sectors' entire value chain**. In particular, coal policies should cover companies and their subsidiaries that operate coal mines, produce coal-based energy and build coal-related infrastructure. Oil and gas policies should also cover the entire value chain of the sector: companies involved in oil and gas production and exploitation (upstream), but also those involved in oil and gas refining and transportation (including by pipeline), storage and wholesale marketing of oil, gas and derivative products (midstream, trade), and in the marketing and distribution of oil, gas and derivative products (downstream).

- **Recommendation 20: An escalation strategy should be formalised**, in order to frame the non-compliance of financed companies with the decarbonisation targets and sectoral policies of financial institutions. In order to ensure a tangible impact, the strategy should provide clearly defined steps with deadlines, and should include at least one corrective step before divestment / exclusion from the investment / financing universe. Public reporting should be ensured in order to demonstrate the effective implementation of this strategy and strengthen its credibility.

These recommendations apply to NZBA signatory banks and, more broadly, to all financial institutions that are signatories to the net-zero alliances, as well as to the alliances themselves and the regulatory authorities, which are both seeking to guide the private financial sector with their respective standards

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1. Net-Zero Donut®: a tool to monitor and assess transition plans

1.1. Background and rationale

The financial sector has a key role to play in achieving the global 2050 decarbonisation target, given its power to influence the direction of the economy and development. [2] In Europe, implementing the Green Deal means mobilising €520 billion per year between 2021 and 2030, plus €92 billion of additional investment to develop net-zero technologies between 2023 and 2030. [3] As such, it is crucial to mobilise public and private finance to facilitate a just and sustainable transition, while respecting planetary limits.

To meet this challenge, the private sector has created Net-Zero Alliances for each financial activity, such as the Net-Zero Asset Managers (NZAM) initiative for asset managers, the Net-Zero Asset Owners Alliance (NZAOA) for institutional investors and the Net-Zero Banking Alliance (NZBA) for banks. The aim of each of these alliances is to mobilise the financial community towards a carbon neutrality goal by 2050. In 2020, the Glasgow Financial Alliance for Net-Zero (GFANZ) was established to bring them together in a common network and to help standardise the ambitions of these alliances in order to have a coherent decarbonisation trajectory for the financial sector.

'In 2024, the signatories to the alliances manage close to 150 000 billion dollars in assets'

The financial institutions that are signatories to these alliances are committed to being net zero on all scopes, including scope 3.15: financed emissions, by 2050 at the latest. Although ambitious and popular with private financial institutions (the signatories to the alliances had nearly $150,000 billion in assets in 2024), **there is no broad consensus on the quality of the standards set by the alliances**. It is also important to note that the alliances do not necessarily have homogeneous recommendations and do not include all of the guidelines proposed by the GFANZ as part of its Net-Zero Transition Plan (NZTP). Furthermore, financial institutions that are signatories to the alliances do not systematically apply all of the alliances' recommendations and commitments.[4]

Currently, a noticeable gap exists between the ambitious goal set by alliance signatories to become 'net-zero' and the practices observed as a result. In response, we believe it would be appropriate to contribute to the development of a coherent and well-founded framework for analysis, that would enable the alliances to refine their guidelines with greater precision and provide financial institutions with specific, actionable methodologies to help them meet their net-zero commitments and collectively work toward this shared goal.

The Observatory proposes a tool to facilitate the tracking of each Net-Zero player and alliance's progress: the **Net-Zero Donut**. The Net-Zero Donut is an analytical tool designed to help financial institutions set and monitor appropriate targets, and to help alliances set ambitious guidelines for their signatories. Its interactive display on the Observatory's website also makes it easy to monitor each actor and each alliance.

In accordance with the values and mission of the Sustainable Finance Observatory, all of the study data, methodologies, guidelines and results detailed by the financial institutions are freely available on the website[5].

1.2. Building the 2023 framework

In direct collaboration with ADEME as part of the European LIFE funding, this first publication of the study focused on the French members of the following three major alliances: The Net-Zero Asset Managers initiative

[2] IPCC, 6th Report of the 3rd Working Group, Chapter 15 – Investment and Finance
[3] European Environment Agency - Investments in the sustainability transition: leveraging green industrial policy against emerging constraints
[4] Sustainable Finance Observatory – Analysis of Net-Zero Alliance signatories' climate plans
[5] Sustainable Finance Observatory – Net-Zero Donut

(NZAM), the Net-Zero Asset Owner Alliance (NZAOA), and the Net-Zero Banking Alliance (NZBA), representing respectively more than USD 57 500 billion, USD 9 500 billion, and USD 74 000 billion by the end of 2023.[6]

Based on the familiar framework of the GFANZ's Net-Zero Transition Plan (NZTP) and its 5 main pillars, and then incorporating external reference frameworks (see Appendix 1), the Observatory created three analysis grids for 2023, one for each alliance studied.

These analysis grids made it possible to create a database of more than 4,000 data points on the transition plans of French financial actors. These data have been used to highlight the practices of these institutions and their asymmetry with the recommendations of the GFANZ and its alliances, and are publicly available on the Observatory's website.[7]

1.3. Changes to the framework in 2024

The Net-Zero Donut framework has evolved in many ways since its first version in 2023. The Observatory has published a methodological framework for the study, detailing the general approach and indicators used to analyse financial institutions' climate plans. Some of the main changes are presented in this section.

The Scientific Committee of the PARC Foundation was involved in the development of Net-Zero Donut in 2024, in particular in the referencing of external sources to build the framework, the selection of the final indicators for the analysis grid, and the establishment of analysis frameworks for each indicator selected.

All of these developments are detailed in the Net-Zero Donut methodology document[8], which sets out the Observatory's methodological choices and provides an exhaustive list of the indicators used and their sources.

1.3.1. External sources

18 external sources were used to construct the 2024 Net-Zero Donut, presented in Appendix 1. These sources were used to define the Donut indicators, taking into account the expectations of key sustainable finance stakeholders, and to define the assessment frameworks for these indicators in line with their recommendations.

1.3.2. Indicators used

The list of indicators used to feed the analysis has also been expanded, with over 220 indicators used, compared with the 121 used for each bank in 2023. Each of the indicators is integrated into the general Net-Zero Donut framework, available in Appendix 3.

This increase in the number of indicators has enabled us to gain a deeper understanding of the intermediate targets set by the banks as part of their alliance, and to study their reporting practices on key transition metrics. The general Net-Zero Donut framework, which defines the main areas of analysis, is available in the methodology document.

1.3.3. Indicators evaluation framework

The extension of the list of external sources and the involvement of the Scientific and Expertise Committee have made it possible to define new evaluation frameworks for the indicators, 96% of the indicators in the 2024 framework considered 'evaluable'[9] have an evaluation framework, a significant improvement on the 70% coverage in 2023.

[6] Data from S&P Capital IQ
[7] Sustainable Finance Observatory – Net-Zero Donut Data
[8] Sustainable Finance Observatory – The Net-Zero Donut Methodology
[9] The Net-Zero Donut 2024 identifies some of its indicators as 'non-evaluable'. These are measurement and transparency indicators that the Observatory cannot evaluate due to a lack of references on the subject, but which have comparative value.

2. Recommendations

This section summarises the recommendations made following the analysis presented in Section 3. The Observatory believes that it is necessary for financial institutions, alliances and regulators to take hold of them in order to give credibility to the approach to contributing to carbon neutrality promoted by financial institutions and their alliances. These recommendations should be considered in conjunction with other frameworks and standards such as the SBTi's FINZ standard proposal, the GFANZ's NZTP, the CBI's framework on the categorisation of financed companies, and finally ADEME's ACT Finance methodology.

i. Transparency

1. **Financed emissions should be systematically measured using the widely adopted Partnership for Carbon Accounting Financials (PCAF)** methodology, and should be disclosed in detail by financial activity, asset class, business sector and emissions scope. They should be presented in absolute value (tCO_2e) and monetary intensity (tCO_2e/€M/turnover), and in physical intensity values for relevant sectors (e.g. tCO_2e/GWh, tCO_2e/t cement). The scope of financing covered by financed emissions and the published interim targets should be clearly stated, specifying the coverage rate of the overall portfolio and which financings are excluded from the scope. Banks should aim for full coverage of their financing portfolio.

2. **The financial scope covered by interim decarbonisation targets should be specified**, by justifying the scope chosen et by making explicit: a) the total share of on- and off-balance sheet activities covered; b) the share of financed and facilitated emissions covered or at least the share of financed emissions related to high climate impact sectors covered.

3. **Fossil fuels exposure should be clearly disclosed**, by detailing: a) the percentage of total outstandings covered by sectoral policies relating to coal and oil and gas; b) the financial activities concerned; c) the amounts of exposure to the sector (on-balance sheet and off-balance sheet), in flows per year (including refinancing) and in stock; d) the carbon impact associated with this exposure in absolute terms.

4. **Exposure to oil and gas should be granular**, detailing exposures by financial products and by branches of activity, and detailing in particular the following activities subject to controversy or in contradiction with scientific recommendations: new oil and gas production projects and expansions of existing projects, new LNG terminal projects, new oil and gas pipeline projects, Arctic oil and gas exploration and production, shale oil and gas exploration and production, oil sands exploration and production, ultra-deepwater oil and gas exploration and production. This concerns project financing and corporate financing for companies carrying out these activities. These amounts should be detailed in flow and stock.

5. **Financial exposure to the oil and gas sector should be detailed**, distinguishing between amounts attributable to oil and those attributable to gas.

ii. Establishing robust transition plans

6. **Financial institutions should systematically equip themselves with a framework for analysing the sufficiency and credibility of the transition plans of the companies financed**, as well as for defining low-carbon activities and those incompatible with achieving the Paris objective ('green' and 'brown' activities). This includes so-called 'green', 'sustainable', 'low-carbon' assets, and 'climate solutions'. These elements should be at the heart of their transition plan in order to ensure an ex ante reallocation of financial flows: financing targets, commitment priorities, exclusion policies. These analytical frameworks should be based on common methodological frameworks such as the ATP-Col[10] guidelines or recognised external

[10] World Benchmarking Alliance – Assessing Transition Plans Collective framework and guidance

frameworks such as the CBI[11] and ACT Finance[12] methodologies in order to ensure their comparability between financial institutions to enable a consistent reallocation of financial flows.

7. **Financial institutions' transition plans should aim for a plurality of interim targets**, including targets for financing actors in transition/low-carbon activities, and trajectories for divestment from 'brown' activities. Targets formulated in absolute or relative greenhouse gas emissions (physical intensity, monetary intensity), useful for additional ex post monitoring, should be subject to rigorous methodological monitoring given the existing limitations of carbon accounting. At a minimum, financial institutions should have interim targets in physical intensity for the most intensive sectors.

8. Financial institutions' transition plans should include regular milestones to be met to achieve the interim targets sets, at least every five years.

9. **Financial institutions' transition plans should cover all carbon-intensive sectors**, as defined by the IEA in its roadmap to net-zero and by the NZBA (9 priority sectors), including agriculture which is currently only covered by UK banks. Otherwise, financial institutions should justify their decision to omit these sectors.

10. **Transition plans should cover all corporate banking activities** in order to take into account not only financed emissions due to loans and guarantees granted, but also facilitated emissions linked to capital market activities.

11. **The variable remuneration of executives (members of executive committees and middle managers) and managers responsible for implementing the transition plan should be significantly indexed to the achievement of intermediate decarbonization** targets set by financial institutions within the framework of net-zero alliances**.**

iii. Defining holistic sectoral policies

12. Exclusion policies should be defined by applying strict exclusion thresholds in accordance with those set in Urgewald's Global Coal Exit List (GOCEL)[13] and Global Oil and Gas Exit List (GOGEL)[14].

13. **The scope of the sectoral policies should be extended to cover all financial activities**, including subsidiaries' activities and investment banking activities, including bond and equity issuance. Scope of activities: loans and advances (including revolving), project finance, trade finance, export finance, advisory services for securities issuance (equities and bonds), guarantees given and other off-balance sheet activities.

14. **Sectoral policies should cover the sectors' entire value chain.** In particular, coal policies should cover companies and their subsidiaries that operate coal mines, produce coal-based energy and build coal-related infrastructure. Oil and gas policies should also cover the entire value chain of the sector: companies involved in oil and gas production and exploitation (upstream), but also those involved in oil and gas refining and transportation (including by pipeline), storage and wholesale marketing of oil, gas and derivative products (midstream, trade), and in the marketing and distribution of oil, gas and derivative products (downstream).

15. **Sectoral policies should cover the following unconventional hydrocarbons:** coal bed methane; tight oil and gas; shale oil; shale gas; oil sand and extra heavy oil. They should also cover ultra-deep offshore oil and gas as well as fossil oil and gas resources in the Arctic because of their significant environmental impact.

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[11] Climate Bonds initiative – Guidance to Assess Transition Plans
[12] Accelerate Climate Transition – Finance | Banque et Finance | Investissement
[13] Urgewald – Global Coal Exit List 2024
[14] Urgewald – Global Oil and Gas Exit List 2024

16. **Sectoral policies should include exclusion criteria and criteria for differentiated financing arrangements based on the level of ambition of transition plans of companies active in all carbon-intensive sectors, starting with fossil fuels sector**. These criteria should allow for the exclusion of companies that have not established a transition plan in line with the financial institution's sectoral policies, in particular when it comes to their fossil fuel exit policy.

17. **In particular, the coal policy should be based on a minimum set of criteria that the financial institution should require from companies in its portfolio or companies it intends to finance**: a) the closure of all coal infrastructure by 2030 in the EU and OECD countries, and by 2040 in the rest of the world; b) no plans to expand new capacity and infrastructure; c) a specified calendar, infrastructure by infrastructure, with measures relating to a just transition and compliance with associated environmental requirements (decontamination, dismantling, etc.), without relying on carbon capture and storage technologies aimed at delaying said closure ; and d) the plan must specify that in the event of a sale without closure, the new owner will be required to specify the closure calendar and that the infrastructure will not be converted to a new activity fossil fuel (e.g. gas, hydrogen produced from fossil fuels).

18. **The oil and gas policy should be based on a review of the transition plan of companies in these sectors** by identifying the share of these companies that have respectively defined**:** a decarbonisation plan with a trajectory compatible with the Paris Agreement, specifying the scenarios chosen; targets for reducing fossil fuel production in the medium term (by 2030); plans for reducing methane leaks and flaring within their infrastructure; GHG emissions reduction targets, in absolute terms and in intensity, on their scopes 1 and 2; GHG emissions reduction targets, in absolute terms and in intensity, on their scope 3 (full); targets for increasing their revenues, Capex and Opex in line with European taxonomy criteria.

iv. Defining engagement strategies

19. **An engagement policy to target financed companies that are furthest behind in terms of transition should be defined.** Such a policy should be accompanied by a preliminary review of the company's greenhouse gas emissions and, in particular, its transition plan. And It should cover companies operating in all carbon-intensive sectors defined by the NZBA.

20. **An escalation strategy should be formalised**, in order to frame the non-compliance of financed companies with the decarbonisation targets and sectoral policies of financial institutions. In order to ensure a tangible impact, the strategy should provide clearly defined steps with deadlines, and should include at least one corrective step before divestment / exclusion from the investment / financing universe. Public reporting should be ensured in order to demonstrate the effective implementation of this strategy and strengthen its credibility.

21. **A monitoring of the engagement strategy should be established,** including a report of the actions implemented, the expected outcomes and the quantified progress of this approach. This should take the form of public monitoring in an independent engagement report or integrated into the ESG report (such as the CSRD report).

3. Data analysis

3.1. Scope of the study

For the 2024 edition of the Net-Zero Donut, the Observatory applied the methodology to a broader scope of financial institutions, composed of 19 European banks, 15 asset managers and 13 French institutional investors. This report focuses on these 19 banks, presented in Appendix 2. The list includes the 8 French banks that are signatories to the NZBA, along with 11 major European banks selected according to their size and influence in the European banking landscape.

This section therefore presents the different practices of banks as part of their commitment to the NZBA. The 19 European banks analysed are: Banco Santander, Barclays, BBVA, BNP Paribas, Crédit Agricole, Crédit Mutuel, Crédit Mutuel Arkea, Deutsche Bank, Groupe BPCE, HSBC Group, ING, Intesa Sanpaolo, La Banque Postale, Lloyds Banking Group, NatWest, Société Générale, Standard Chartered, UBS, and UniCredit.

3.2. Data availability

Each bank was analysed against 222 indicators in the Net-Zero Donut, but not all indicators necessarily found matching data. The average data availability rate for the 19 banks is 88%, ranging from 81% to 92%, **indicating relative transparency of the banks across the wide range of Net-Zero Donut indicators**.

The availability of data also makes it possible to understand which issues banks are most transparent on and which are currently lacking clarity in their public documentation. We find that banks are most transparent on issues such as oil and gas and decarbonisation targets. Conversely, they are the least transparent when it comes to foreseeing events that could lead to the redefinition of their interim targets, measuring metrics that are key to the transition of financial institutions, and developing internal capabilities to ensure the successful achievement of their interim targets. We also note **a lower availability of information on coal** and on engagement processes with peers, companies and the public sector.

It should be noted that this transparency does not give any indications regarding the quality of the data published, but rather, is an important step in defining interim targets and transition plans.

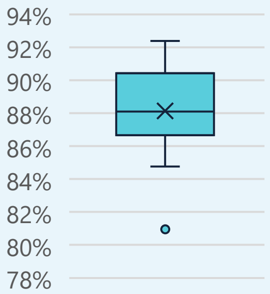

Figure 1. Data availability among banks

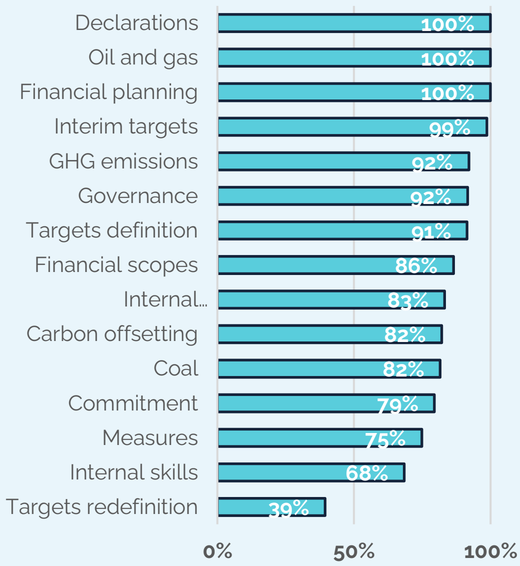

Figure 2. Data availability by topics

3.3. Interim targets defined by banks

i. What types of interim targets?

'No bank has defined a portfolio-wide absolute decarbonisation target'

In 2023, the Net-Zero Donut enabled to conclude that 100%[15] of French banks had established physical intensity sectoral decarbonisation targets, and that 86% had established sectoral decarbonisation targets in absolute value. On the other hand, none had set a decarbonisation target in terms of monetary intensity or an alignment target with an alternative metric to GHG emissions.

Types of interim targets	*No*	*Yes*
Alignment	17	2
Financing	5	14
Absolute decarbonisation	19	0
Relative decarbonisation	18	1
Sectoral decarbonisation	0	19
Engagement	18	1

Table 1. Distribution of European banks' interim targets

In 2024, all banks analysed have defined interim sectoral targets, but only 14 (74% of them) have a financing target. A few banks also have other types of interim targets: one has an engagement target, one has a relative decarbonisation target for its portfolio, and two have targets to align their portfolio with a trajectory consistent with the Paris Agreement using a different metric than GHG emissions. However, **no bank has defined a portfolio-wide absolute decarbonisation target**. Their decarbonisation projection is more likely to be based on sectoral targets set in line with the NZBA's interim target setting methodology[16]. There is no significant difference between the types of targets set by French and European banks.

ii. Timeline of targets

All of the sectoral targets set by the banks have a clear timetable with a reference date and a target date. **On average, these targets are set for a period of nine years, and for most players these targets are to be achieved by 2030**.

To support these sectoral targets, two banks have also set interim decarbonisation targets between now and 2030: one bank has established a 2025 temperature alignment target, another has set a 2027 monetary carbon intensity reduction target for its entire portfolio.

Some banks have supplemented these targets with sustainability financing targets set for an average period of seven years, most of which come to an end in 2025.

[15] Percentage established based on the 7 French banks having adhered to the NZBA in 2023.
[16] Sustainable Finance Observatory – The Net-Zero Donut Methodology

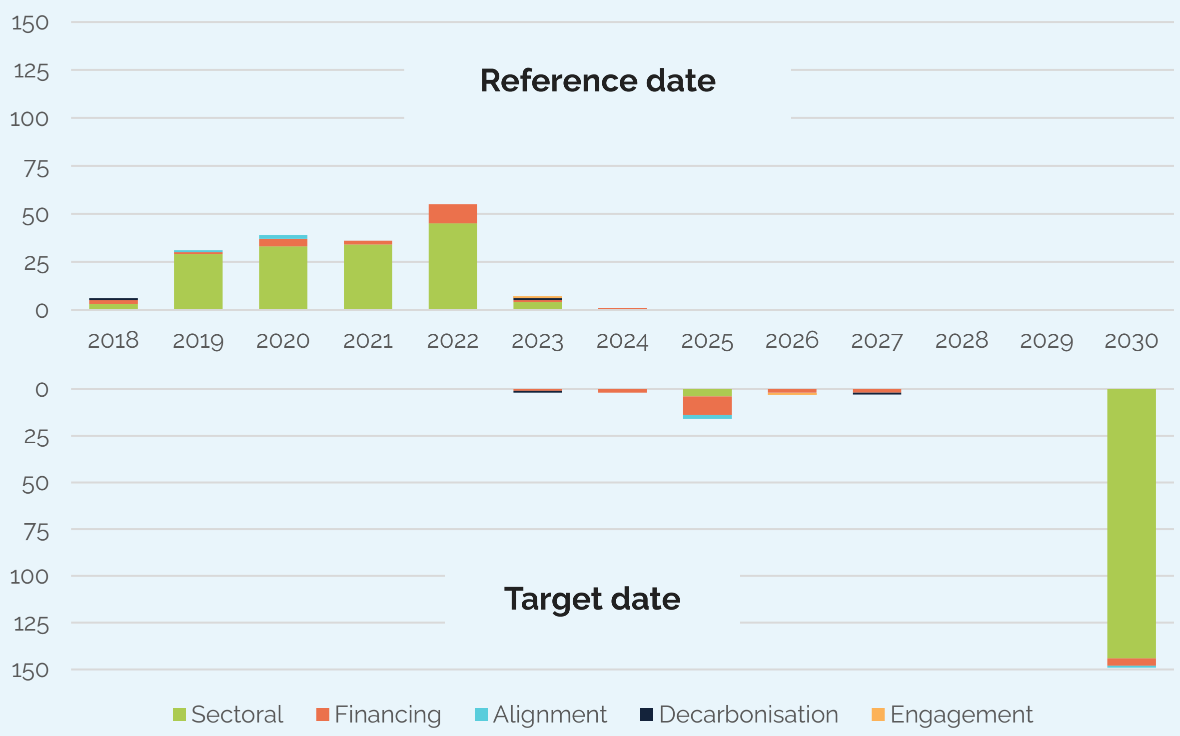

Figure 3. European banks' interim targets' calendar (in number of targets per year)

iii. What financial scope is covered?

In 2023, the Observatory found no interim targets covering all of the analysed banks' activities. In 2024, **2 banks seem to have interim targets covering all their financial activities and all seem to include their lending activities**, albeit to different extents. Some include their entire loan portfolio (7 banks, 37%), while others exclude off-balance sheet activities from the scope (12 banks, 63%). In addition to lending, 10 banks (53%) include their capital market activities, of which 4 (21%) include their investment banking activities, including syndicated loans, but also bond and equity issuance, or their advisory activities.

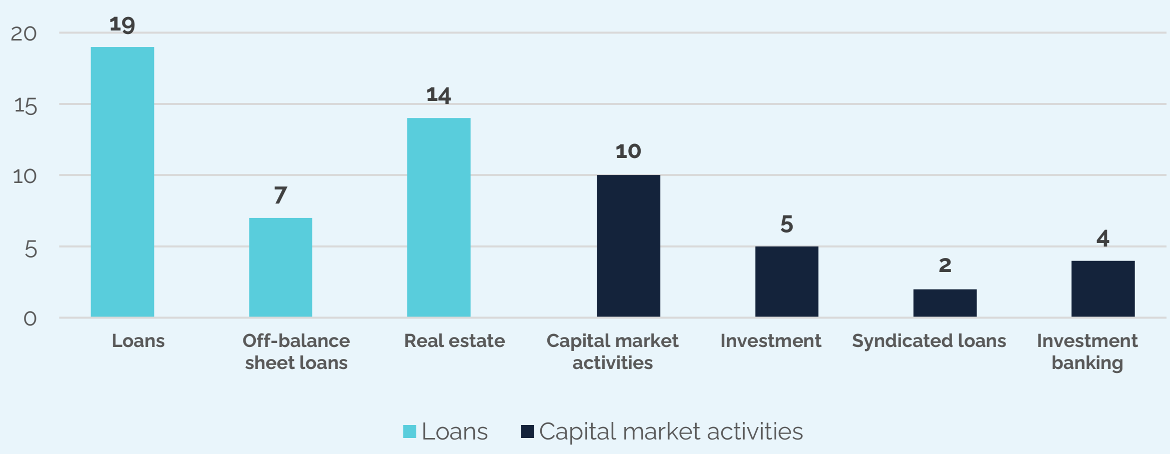

Figure 4. Financial scope covered by European banks' interim targets

iv. Progress towards reaching interim targets?

The Net-Zero Donut measures progress in reaching interim target through a score going from 0 if no progress was exhibited or if the actor did not disclose latest (2022 or 2023) results, to 3 if the progress was not linear, and 5 if it was linear. In particular, for sectoral targets, as banks have established several sectoral targets, a score of 3 was given as long as at least all sectors save for one saw progress and if for no more than two sectors such progress was non-linear. A score of 5 was achieved if at least all sectors save for one exhibited progress on a linear trajectory. This was done partially to take into account banks' warning over progress not necessarily being linear, while maintaining a level of exigency. **In fact, while we do recognize that progress towards reaching some sectoral targets is dependent on market evolutions and other external factors to the companies financed, progress, and in particular linear progress, is the only available measurement to evaluate whether banks actually keep their promise in that regard**.

'We note a progress in reaching 52% of sectoral targets, in a linear trajectory for 42%.'

Of the 175 interim targets set by 19 French and European banks, 148 of which were specific to the sectors financed (85% of interim targets) and 21 of which were sustainability financing targets (12%), progress was made towards achieving 77 sectoral targets (44% of interim targets, 52% of sectoral targets), of which 62 on a linear trajectory (42% of sectoral targets), and 14 financing targets (8% of interim targets, 67% of financing targets), of which 9 on a linear trajectory (43% of financing targets). This represents 11 banks that have not reduced their carbon footprint linked to financed sectors, and 4 that have seen a reduction but on a non-linear trajectory. In total, 8 banks (42%) are in line with their interim sustainability financing targets.

In terms of portfolio-level decarbonisation, one bank that has set such a target in monetary intensity is on a linear trajectory to achieve it, while in terms of temperature alignment, only one in two banks with such a target has reported on its progress.

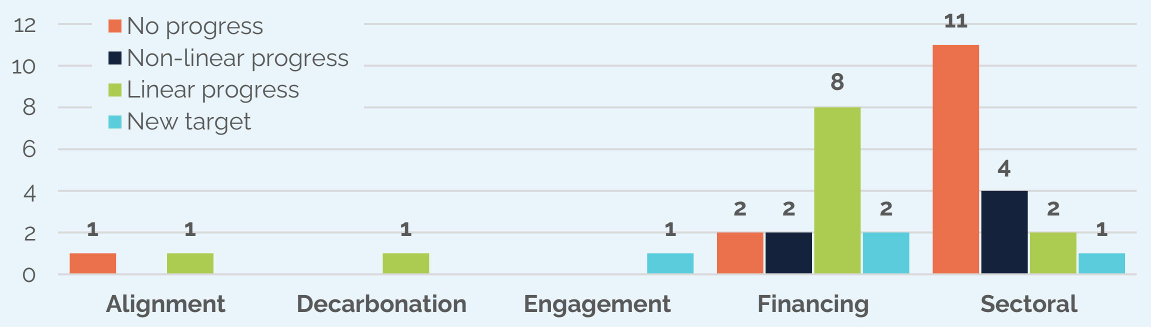

Figure 5. European banks' progress in achieving interim targets (number of banks)

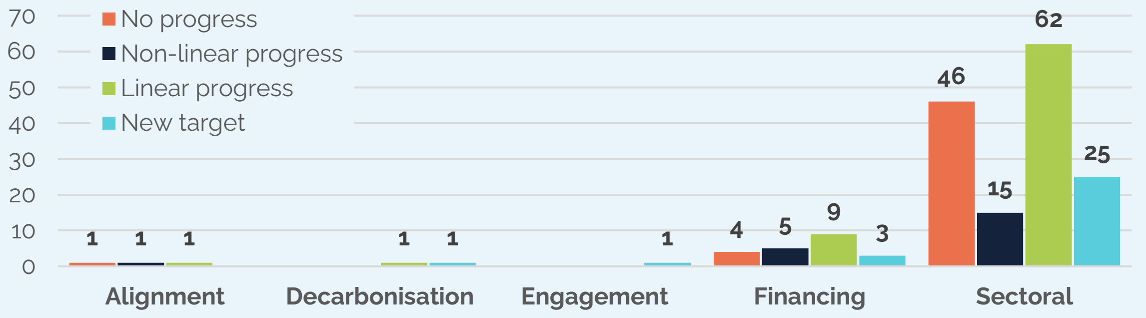

Figure 6. European banks' progress in achieving intermediate targets (number of targets)

v. A focus on sectoral targets

Which sectors are targeted?

Adherence to the NZBA implies a commitment to setting sectoral targets for all carbon-intensive sectors, or at least for 'a substantial majority of [them]'[18]. These sectors include agriculture, aluminium, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation and transport. **Of the 19 banks included in this analysis, none covers all the sectors identified**, 16 of them cover at least half the sectors, and only 5 cover three quarters of the sectors (i.e. at least 7 out of 9 sectors). It should be noted that **the agriculture sector is only covered by UK banks**.

More specifically, the 19 banks have defined an average of seven sectoral targets spread across fourteen different sectors (see Table 2). **The most common sectors are automotive, oil and gas, power generation and metals (iron and steel)**. In total, the 19 banks have set 148 sectoral targets.

Sector	*# banks*
Oil and Gas	17
Coal	6[17]
Power	17
Iron and steel	16
Aluminium	4
Cement	14
Automotive manufacturing and sales	17
Road transport	3
Aviation	13
Rail	1
Shipping	10
Commercial real estate	12
Residential real estate	9
Agriculture	3

Table 2. Distribution of European banks' sectoral targets

'Only 4 banks include all of their financial activities in their sectoral targets'.

It should be noted that only 4 banks (21% of banks, 18% of sectoral targets) include all of their financial activities in their sectoral targets. This includes on-balance sheet, off-balance sheet, primary issuance activities of financial instruments, syndicated loans, and other capital market activities. 5 banks have set 37 targets covering both their on-balance sheet and off-balance sheet assets, while 10 banks with 85 targets do not consider off-balance sheet financed or facilitates emissions.

Furthermore, only 13 banks (68%) have also reported the share of their assets that this financial scope represents. **On average, the sectoral targets set cover around 40% of banks' total assets.**

	On-balance sheet loans	*On and off-balance sheet loans*	*All banking activities*[19]
Number of sectoral targets	85	37	26
Number of banks	10	5	4

Table 3. Financial scope covered by European banks' sectoral targets

[17] 5 sectoral targets for coal, and one sectoral target on energy explicitly including coal
[18] NZBA, Guidelines for Climate Target Setting for Banks - Version 2, April 2024
[19] Including investment banking activities

Reference scenarios

In setting sectoral targets, banks relied on climate scenarios, including the **IEA's Net Zero by 2050**[20] scenario (IEA NZE 2050), which sets out sectoral decarbonisation pathways covering the energy sector, electricity generation and the three main end-use sectors: industry, transport and buildings. **This scenario was taken into account by all banks in setting their sectoral targets**, with some using other sector-specific scenarios for particular sectors, such as:

- **For shipping:** the DNV scenario, 1.5°C aligned, or the Poseidon Princinples' *IMO Striving For, Initial* or *Revised scenarios*, which are 2°C pathway scenarios.
- **For aviation:** the Mission Possible Partnership Prudent (MPP PRU) scenario which defines a net-zero 2050 trajectory based on technologies that are already available or that will arrive on the market in the coming decades, according to the industry consensus[21].
- **For aluminium:** the 1.5° scenario of the International Aluminium Institute (IAI)[22].
- **For iron, steel and cement:** the Sectoral Pathways to Net Zero Emissions scenarios of the Institute for Sustainable Futures (ISF) or SBTi's scenario and tools, i.e. 1.5°C aligned scenarios[23], the Mission Possible Partnership Technology Moratorium scenario of the Sustainable Steel Principles which on the other hand is a 'well-below 2°C' scenario[24].
- **For real estate:** the Carbon Risk Real Estate Monitor's *CRREM Global Pathways* which which provides decarbonisation and energy consumption reduction pathways to stay within the 1.5°C carbon budget, specified by country and by property type[25].
- And other IEA scenarios, aligned 'well-below 2°C'**:** the Energy Technology Perspectives Scenario[26] or the Announced Pledges Scenario (APS)[27].
- As well as domestic scenarios such as the UK-focused balanced net zero scenario[28] for housing and agriculture in the United Kingdom, or the Zero basis benchmark[29] for Swiss commercial and residential real estate.

In general, all the banks use a scenario aligned with a 1.5°C trajectory for at least one of their intermediate targets, and 9 combine it with other scenarios aligned with a 'well-below 2°C' trajectory.

However, it should be emphasised that the level of responsibility and ambition required of each sector varies materially depending on the scenarios chosen. In fact, net-zero scenarios establish a sectoral trajectory taking into account not only the current decarbonisation capacity and potential technological advances of each sector, but also the targets assigned to the other sectors. And so, for each sector, the banks have the option of setting sectoral targets by choosing the least demanding scenario aligned to 1.5°C or 'well-below 2°C'. It is therefore essential that financial institutions not only justify their choice of scenarios for each sector, but also explain how they guarantee the overall consistency of their approach, particularly when they use different scenarios from one sector to another.

It should also be noted that the limited granularity of the data available means that it is not always easy to define a relevant trajectory that is consistent with the IEA's NZE 2050 scenario. These difficulties can lead to different trajectories despite the use of the same scenario.

[20] International Energy Agency, Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach, 2023
[21] Mission Possible Partnership Prudent Scenario
[22] IAI 1.5°C
[23] Institute for Sustainable Futures, Sectoral Pathways to Net Zero Emissions, 2020
[24] Sustainable Steel Principles, Mission Possible Partnership Technology Moratorium, 2023
[25] Carbon Risk Real Estate Monitor, CRREM Global Pathways V2, 2023
[26] International Energy Agency, Energy Technology Perspectives, 2017
[27] International Energy Agency, Announced Pledges Scenario, 2021
[28] The Climate Change Committee, The Sixth Carbon Budget, The UK's path to Net Zero, 2020
[29] Energy perspectives 2050+ Zero Basis, 2022

Summary of sectoral targets

The details of the 19 banks' sectoral targets analysed in this report are detailed below. This includes the targeted financed emissions reduction in percentage, the metrics used to monitor the progress, the emissions scopes covered, the reference scenarios used and the financial perimeters used.

A few details on the data in the Table below**:**

- **% of reduction:** the percentage communicated corresponds to the commitments established by the banks. These targets are defined with different reference dates and target dates, depending on the banks.
- **Fossil fuels:** The comparison only covers carbon reduction targets related to the financing of coal-related companies. The same applies to oil and gas. Some actors have also defined other targets for these sectors, namely targets to reduce the share of fossil fuels in the portfolio of power generation companies or targets to reduce the financial exposure to fossil fuels.
- **Commercial real estate:** one bank did not specify the emissions scope covered by their target.

SECTOR	% OF REDUCTION	METRICS	SCOPES	SCENARIO	FINANCIAL SCOPE
OIL & GAS	3 / 9 / 5 <25% / 26%-50% / 51%-75%	14 / 3 Absolute / Physical intensity	13 / 1 / 3 Scope 1, 2, 3 / Scope 1 & 2 / Scope 1 ou 3	17 IEA NZE	3 / 14 Loans and CMA / Only loans
COAL	1 / 1 / 1 26%-50% / 51%-75% / >75%	3 MtCO2	2 / 1 Scope 1, 2, 3 / Scope 3	3 IEA NZE	1 / 2 Loans and CMA / Only loans
POWER	7 / 8 / 2 26%-50% / 51%-75% / >75%	17 gCO2/kWh	1 / 7 / 9 Scope 1, 2, 3 / Scope 1 & 2 / Scope 1	15 / 1 / 1 IEA NZE / National / IEA APS	3 / 14 Loans and CMA / Only loans
CEMENT	7 / 7 <25% / 26%-50%	14 tCO2/t	13 / 1 Scope 1 & 2 / Scope 1	12 / 2 IEA NZE / ISF NZ	4 / 10 Loans and CMA / Only loans
IRON & STEEL	1 / 6 / 6 / 1 / 2 No ↓ / <25% / 26%-50% / 51%-75% / >75%	15 / 1 tCO2/t / % alignment delta	3 / 12 / 1 Scope 1, 2, 3 / Scope 1 & 2 / Scope 1	13 / 1 / 1 / 1 IEA NZE / ISF NZ / SBTi / MPP TM	3 / 13 Loans and CMA / Only loans
ALUMINIUM	2 / 2 <25% / No ↓	4 tCO2/t	1 / 3 Scope 1, 2, 3 / Scope 1 & 2	3 / 1 IEA NZE / IAI 1.5°C	4 Loans and CMA / Only loans
COMMERCIAL REAL ESTATE	8 / 4 26%-50% / 51%-75%	12 kgCO2/m²	9 / 2 Scope 1, 2, 3 / Scope 1 & 2	1 / 6 / 1 / 1 / 2 IEA NZE / CRREM / IEA ETP / IEA APS / National	2 / 10 Loans and CMA / Only loans
RESIDENTIAL REAL ESTATE	2 / 7 / 1 <25% / 26%-50% / 51%-75%	10 kgCO2/m²	10 Scope 1&2	1 / 4 / 1 / 4 IEA NZE / CRREM / IEA ETP / National	2 / 8 Loans and CMA / Only loans
AUTOMOTIVE	3 / 10 / 4 <25% / 26%-50% / 51%-75%	12 / 4 / 1 gCO2/vkm / gCO2/km / gCO2/p.km	4 / 1 / 11 / 1 Scope 1, 2, 3 / Scope 1 & 3 / Scope 3 / Scope 1	15 / 1 / 1 IEA NZE / IEA ETP / IEA APS	4 / 13 Loans and CMA / Only loans
AVIATION	6 / 5 / 1 <25% / 26%-50% / 51%-75%	4 / 2 / 6 gCO2/p.km / gCO2/rpk / gCO2/rtk	1 / 5 / 3 / 3 Scope 1, 2, 3 / Scope 1 & 3 / Scope 1 & 2 / Scope 1	8 / 2 / 3 IEA NZE / IEA ETP / MPP PRU	3 / 10 Loans and CMA / Only loans
SHIPPING	2 / 4 / 4 <25% / 26%-50% / >75%	4 / 6 gCO2/dwt.nm / % alignment delta	5 / 5 Scope 1 & 3 / Scope 1	1 / 2 / 7 IEA NZE / DNV / IMO	10 Loans and CMA / Only loans
AGRICULTURE	2 / 1 <25% / 26%-50%	2 / 1 Absolute / Monetary intensity	1 / 1 / 1 Scope 1, 2, 3 / Scope 1 & 2 / Scope 1	1 / 2 IEA NZE / National	1 / 2 Loans and CMA / Only loans

How to read this table? This table presents the main characteristics of the interim sectoral targets set by the banks in this study. The distribution is based on the number of targets formulated for each sector.

Progress by sector

All but one of the banks have set interim targets for the transport sector, which includes car manufacturers (17 banks), road transport (3 banks), shipping (10 banks), aviation (12 banks) and rail transport (1 bank). Of the 18 banks, 11 have made progress towards their targets, 10 on a linear manner. Specifically, only 17 of the 47 transport targets (36%) that were set have seen progress, of which 11 (23%) on an at least linear trajectory.

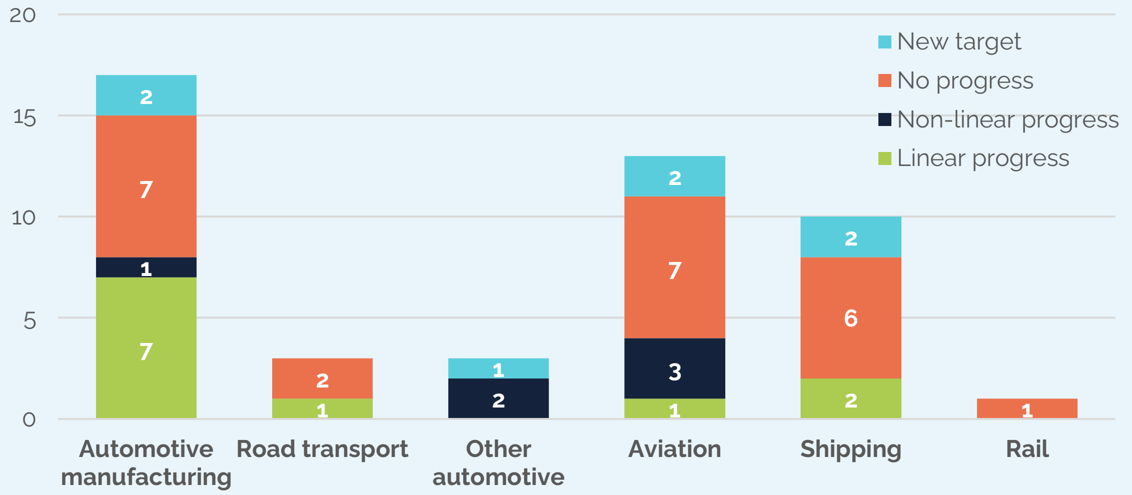

Figure 7. European banks' progress in reaching interim targets for the transports sector

As for fossil fuels, 16 banks have defined sectoral decarbonisation targets on oil and gas, 5 banks on coal and one player has a target covering both. It should be noted that **most of the oil and gas targets only cover the upstream value chain of this sector, i.e. oil and gas exploration and production, only three players also consider the midstream and downstream value chain, i.e. activities related to the transport, storage, refining and distribution of oil and gas products**. Linear progress in reducing financed emissions linked to these sectors can be observed for 13 banks (15 interim targets related to oil and gas, 4 related to coal). Power generation is covered by 16 banks. 15 banks have reduced their emissions related to power generation financing, almost all on an at least linear trajectory.

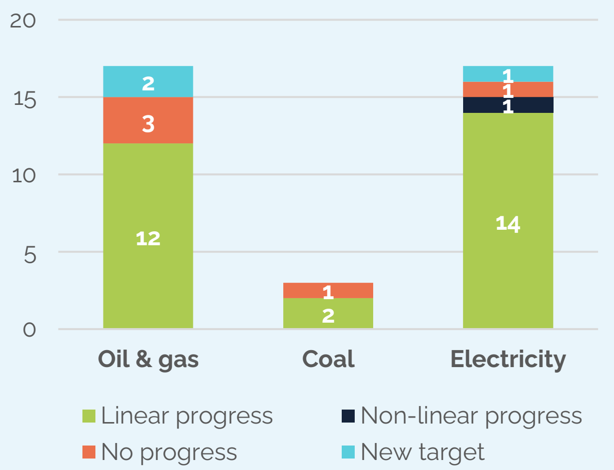

Figure 8. European banks' progress in reaching interim targets for fossil fuels and power sectors

One sector that is well covered by interim decarbonisation targets is iron and steel, with 16 players having set targets for this sector, 10 of which are on an at least linear trajectory towards achieving their targets. For cement, 14 banks have set decarbonisation targets, although 6 players have not improved the physical carbon intensity of their portfolios linked to this sector. In contrast, only 3 banks have targets for agriculture and 4 for aluminium. And although 14 companies have targets covering the real estate sector, 11 of these have no target covering residential real estate, and 4 companies have not yet reduced the carbon intensity of this sector.

However, progress is not yet measurable for all sectoral targets: 7 actors have published new targets for certain sectors; in total, 20 interim targets are to be closely monitored next year.

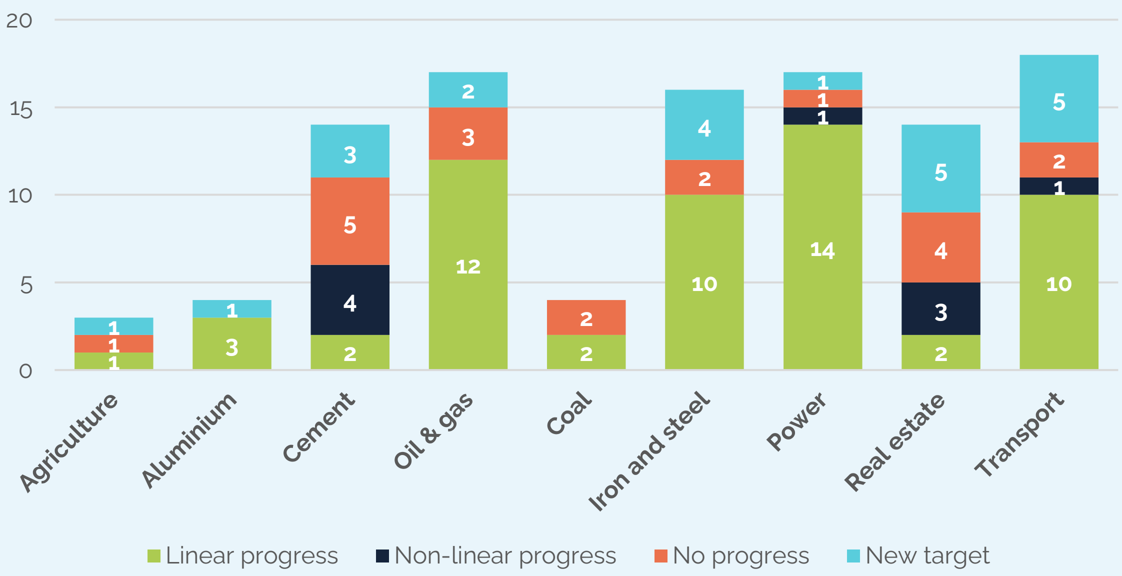

Figure 9. European banks' progress in reaching interim sectoral targets

vi. A focus on financing targets

European banks' financial commitments

'14 [banks] have established transition financing targets, [...] representing more than €4 trillion [...] between 2018 and 2030.'

Among the banks analysed, 14 have established transition financing targets. In total, 21 financing targets have been set, representing more than €4 trillion committed to sustainability financing between 2018 and 2030.

Only 4 banks have made financing commitments until 2030, most players' financing targets come to an end in 2025.

Assuming a linear progression in meeting the financing targets, i.e. an equal annual allocation of the amount committed over the time horizon of the commitment, we see more than €1.5 trillion allocated to 'sustainability' issues financing between 2025 and 2030, including more than €1 trillion explicitly dedicated to "green" activities – according to the definitions proposed by the banks (see below). Over the last five years (between 2020 and 2024 inclusive), more than €2.5 trillion have been allocated to sustainability issues, including more than €0.9 trillion dedicated to environmental issues.

These amounts need to be put into perspective with the financing needs of the transition. According to the IEA, the annual financing needs of the transition amount to 4.3 trillion dollars between now and 2030[30]. The Climate Policy Initiative (CPI) estimates that this annual financing needs are projected to range from $4.8 trillion to $7.8 trillion by 2030, increasing to between $6.5 trillion and $8.1 trillion by 2050[31]. Similarly, McKinsey estimates the need at $6.4 trillion per year between 2022 and 2050, assuming that more than half of this financing could come from private investors, including between $2 trillion and $2.6 trillion from commercial

[30] World Economic Forum, Financing the Transition to a Net Zero Future, October 2021
[31] Climate Policy Initiative, How big is the Net Zero financing gap?, 2023

banks (i.e. around 35%), and a significant share (19%) from households[32]. On the other hand, if we take CPI's[33] estimates of the current breakdown of climate financing by public and private players, then take into account the key role of commercial banks in managing household savings, we can attribute responsibility for at least a third of the financing needs to commercial banks [34]. And so, faced with an annual need to finance the transition of around 6.4 trillion dollars, banks would have to cover between a third (CPI breakdown) and half (McKinsey breakdown) of this need, i.e. provide between 2.1 and 3.2 trillion dollars per year.

For the 19 banks analysed in this report, the announced financing targets for 'green' assets amount to less than 2 trillion euros between 2020 and 2030, or around 200 billion euros a year between now and 2030. **They have therefore committed less than 10% of the €2.1 to €3.2 trillion required**. In comparison, at the end of 2023, these banks accounted for more than €24.7 trillion in balance sheet assets, i.e. **a third of the assets of the banks involved in the NZBA**.

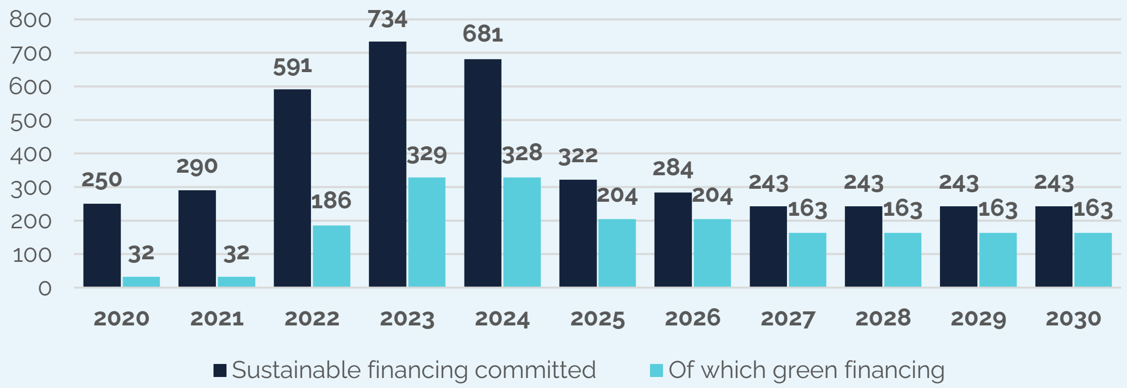

Figure 10. Total amount committed to financing sustainability issues (in € billion)

What definitions for financing targets?

Of the 14 actors that have defined financing targets, 12 indicate that they use the International Capital Market Association (ICMA) or the Loan Market Association's (LMA) principles to define activities that are considered green. 8 also refer to the European taxonomy, in particular to the "substantial contribution" criteria of the taxonomy's six environmental goals, without however referring to the European Green Bonds Standard, a framework that is more robust and demanding than ICMA's, as it is based on the European green taxonomy and is designed to strengthen the transparency around green bonds. Some also mention other standards such as the Climate Bonds Initiative taxonomy.

Furthermore, 3 actors have set up a financing mechanism dedicated to renewable energy and 1 has such a mechanism for the circular economy. In addition to financing climate solutions, 3 actors have quantified targets to finance the transition of companies to a low carbon economy. However, of these 3 players, only one has a detailed and clear definition of what it considers to be a 'transition activity'. The other two have significant gaps: the first does not provide any definition of the activities eligible for its transition finance objective, even though it explicitly uses this concept to promote its commitment; the second limits itself to a definition of the financing mechanisms that fall into the category of 'corporate transition finance' (e.g. green loans, sustainability-linked loans, green receivables finance, sustainable supply chain finance, etc.). On the other hand, for the player who has actually established a framework defining transition finance, this definition focuses on activities contributing to the reduction of greenhouse gas emissions in high-emission sectors that are difficult to bring down. More specifically, its definition refers to activities such as: the electrification of

[32] McKinsey & Company, Financing the net-zero transition: From planning to practice, January 2023
[33] Climate Policy Inititiative, Global Landscape of Climate Finance 2023, November 2023
[34] Banks' responsibility in financing the transition: responsibility assigned to commercial banks + responsibility assigned to households

equipment, the replacement of coal with gas in cement production (with a decarbonisation plan to follow), the modernisation of transmission lines and power distribution systems, the use of blue hydrogen, etc.

It should be noted that financing needs relate primarily to the transformation of existing carbon-based processes, and therefore to financing the transition rather than to financing activities that are already 'low-carbon' or compatible with a low-carbon economy. In this respect, the study still shows a lack of maturity on the financial institutions' part who do not place transition finance, and therefore the analysis of companies' transition plans, at the heart of their strategy and targets. This lack of maturity is reflected in the absence of a definition of 'transition activities', even though, the formalisation of such a definition through the establishment of a specific framework is essential to ensure that the financial resources are effectively deployed to support companies in their transition.

Net-Zero Donut indicators used for section 3.3.

Type of interim targets

- **1107:** Number of intermediate targets set by the actor (nb)

Calendar

- **4101, 4201, 4301, 4401, 4501, 4601:** Reference date(s) of this intermediate target(s) (nb)
- **4102, 4202, 4302, 4402, 4502, 4602:** Target year(s) of this intermediate target(s) (nb)

Financial scope

- **4106, 4206, 4306, 4406, 4506, 4606:** Financial activities OR asset classes of the actor concerned by this intermediate target (txt)
- **1201:** Share of the actor's total assets committed to its intermediate targets (%)

Progress

- **4111, 4211, 4311, 4411, 4511, 4611:** The metric has progressed in line with the intermediate target (Y/N)
- **4109, 4209, 4309, 4409, 4509, 4609:** Measurement of the intermediate target metric during the last exercise (nb)

Sectoral targets

- **4512:** Sectors included in the actor's intermediate sectoral targets (txt)
- **4504:** Description of the intermediate target (txt)
- **4508:** Scopes of portfolio companies included in the actor's intermediate target (Scope 1 & 2, scope 1, 2 & 3 partial, scope 1, 2 & 3) (txt)
- **1104:** List of general or sectoral scenario(s) used by the actor to set its objectives (txt)
- **1105:** Reference temperature of decarbonization scenarios used by the actor (txt)

Financing targets

- **4209:** Measurement of the intermediate target metric during the last exercise (nb)
- **4204:** Description of the intermediate target (txt)
- **4205:** Methodology used by the actor to define the intermediate target (txt)
- **4213:** Definition of "climate solutions" used by the actor (txt)

3.4. Fossil fuels

Of the 19 banks analysed, all have established coal and oil and gas policies that also cover unconventional hydrocarbons. These policies commit 15 banks to exit coal by 2030/2040 in line with IEA recommendations, of which **3 banks have set a complete coal exit date before 2030, and one bank has global fossil fuel exit targets**. **At the other end of the spectrum, 3 banks have no commitment to exit coal, and the majority of banks have no plans to stop financing oil and gas**.

i. Coal

In parallel to the coal exit commitments, 17 banks have also formalised exclusion criteria, including the exclusion of companies involved in coal capacity development. For 6 banks, this criteria applies to the entire coal value chain, i.e. to companies operating new coal mines, expanding their installed coal capacity and building new infrastructure for coal assets. However, 7 banks apply this criteria only partially, and **5 have no commitment to stop supporting companies developing coal projects.**

In addition, 15 banks, including one that no longer has coal-related assets in its portfolio, have defined exclusion thresholds. Among these banks, all have relative exclusion thresholds, relating to the share of revenue linked to coal. On the other hand, 13 have no absolute exclusion threshold for producers of electricity from coal, and 13 have no absolute threshold for companies operating coal mines. Only 5 banks therefore have a policy that effectively excludes companies with significant exposure to coal by taking into account both the installed capacity linked to coal of electricity producers and the coal production capacity of mining companies. The thresholds for coal exclusion vary from: **10% to 80% of turnover linked to coal**, 5Mt and 10Mt in coal production volume, and 5GW and 10GW of electricity generated from coal. **Only 4 banks have exclusion thresholds in line with thresholds adopted by Urgewald for its Global Coal Exit List (GCEL)**, while 2 others have thresholds aligned in terms of coal production (in Mt).

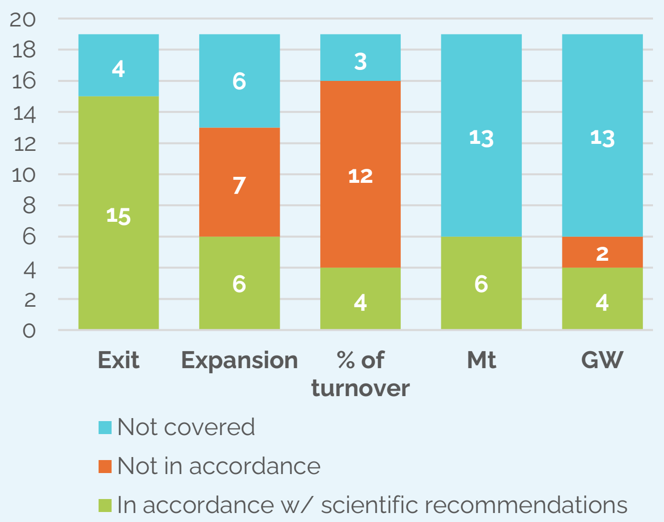

Figure 11. Types of thresholds adopted by banks in their coal policies

ii. Oil and gas

All the banks analysed have established an oil and gas policy, independent or integrated into their ESG policy, and for all, unconventional hydrocarbons are addressed. The level of ambition differs materially between them. **Only 3 banks commit to systematically excluding companies developing capacity expansion projects, and 2 banks have policies covering the entire conventional oil and gas value chain**.

In fact, 4 banks do not cover midstream oil and gas at all (i.e. projects and companies involved in infrastructure and transport activities for oil and gas) and 4 banks cover these projects only partially. It should also be noted that although some players, 8 banks analysed, state that they have a policy covering all midstream and downstream oil and gas, for the majority this applies only to unconventional hydrocarbons.

Figure 12. Oil and gas value chain included in banks' sector policies

Thus, the exclusion criteria for oil and gas are often defined for unconventional activities only. But here too, only 4 banks have a policy taking into account not only all unconventional hydrocarbons, but also projects to expand conventional oil and gas capacities. **Furthermore, some banks (6 banks, 32% of them) only establish these exclusions for direct project financing of unconventional oil and gas.** In fact, only 13 banks have defined exclusion thresholds at general corporate financing level, based on income linked to unconventional, the share of unconventional in total production, or the share of unconventional in total fossil energy production. But here too, for some players, certain thresholds only apply to a specific type of unconventional hydrocarbon.

Thresholds	Number of banks
> 5%	2
> 10%	2
> 20%	2
> 15%	1
> 25%	1
> 30%	4
> 50%	1
None	7

Distribution of denominators used

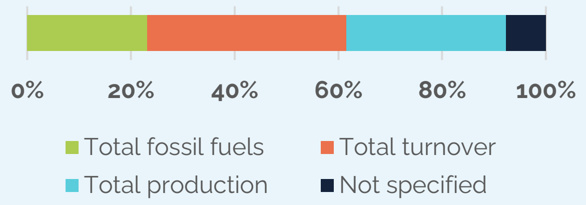

Table 4. & Figure 13. Exclusion thresholds for unconventional oil and gas from banks' sector policies

iii. Engagement with companies involved in fossil fuels

Some banks also show a willingness to develop an engagement strategy with fossil fuel companies. **10 banks are making access to finance conditional on the establishment of a transition plan leading to a coal phase-out, and one player is also pushing oil and gas companies to make such a transition**. For the rest, no phase-out commitment is required.

Transition plan including an exit from	*Number of banks*
Coal	10
Oil and gas	1

Table 5. Number of banks with exclusion criteria relating to the existence of a transition plan

iv. Financial scope covered by the policies

These policies cover a variable scope of financing depending on the actors. It should be noted that the coal policy applies to all banking activities, including investment banking activities for 15 banks analysed, while the oil and gas policy applies to 13 banks. On the other hand, 4 banks have coal policies, and 6 have oil and gas policies that do not explicitly cover capital market activities. For one bank, the oil and gas policy applies to these activities, but with some exceptions.

Table 6. Financial scope covered by fossil fuels policies

	On-balance sheet loans	*On and off-balance sheet loans*	*All banking activities*[35]
Coal	4	0	15
Oil and gas	5	1	13

v. Exposure to fossil fuels

Coal

While all banks have a coal policy and have established certain exclusion thresholds, **none have publicly provided the necessary information to assess whether their policy is respected** by disclosing their exposure to coal assets and the related carbon-impact.

Among those exposed to coal (1 analysed bank does not have coal assets in its portfolio), none are fully transparent on their carbon impact linked to their exposure to coal-related assets. This is also correlated to the very limited number of banks having established interim sectoral targets for coal: 3 banks have absolute emissions reduction targets for coal mining, 2 banks have coal financing exposure reduction targets, one relating to coal power, the other relating to coal mining. Among these, only 3 disclose their emissions attributable to their financing of coal mining players, but this disclosure omits coal power.

As for financial exposure to coal assets, Pillar 3 regulation includes a disclosure of gross carrying amount linked to coal and lignite mining. Most in-scope actors do not go beyond this mandatory disclosure, only one European bank actually discloses its full exposure to coal based on how much portfolio companies earn from coal mining or from their coal power generation capacity. Another bank, due to having set an interim target on the share of coal in its power production portfolio, communicates this figure, in parallel to its Pillar 3 report. For this bank, it is therefore possible to estimate the amount of financing granted to coal. And so, **it is only possible to state for 3 banks that they did not allocate financing to thermal coal in the last financial year**.

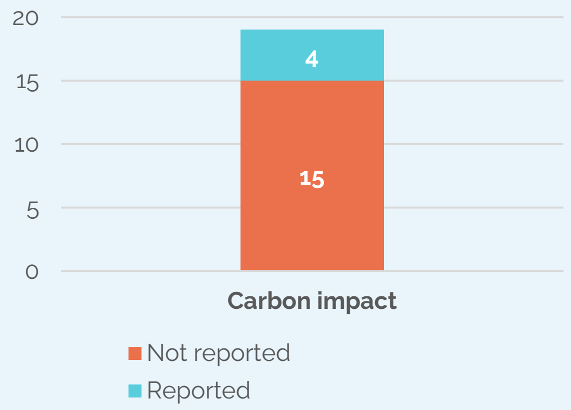

Figure 14. Banks' transparency regarding carbon impact linked to coal financing

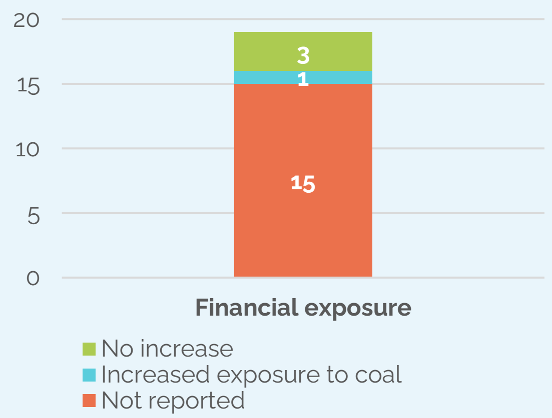

Figure 15. Banks' transparency regarding financial exposure to coal

Oil and gas

Similar results can be found for oil and gas, with one notable difference: since most of the banks analysed in this report have set interim targets for this sector, the related financed emissions are disclosed. Thus, of the 19 banks covered by this study, all but 2 disclose financed emissions related to oil and gas financing. **Together,**

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[35] Including investment banking activities

they are responsible for financing approximately 300 million[36] [37] tonnes of annual GHG emissions from the oil and gas sector. However, as we have seen previously, this disclosure, for most banks, only covers the upstream oil and gas value chain, only 3 include midstream and downstream. What is more, **the amounts communicated do not take into account all the emission scopes**: scope 1 is taken into account by 12 banks (63%), scope 2 by 11 (58%), and scope 3 by 13 (68%).

When it comes to financial exposure to oil and gas, **most banks report this only as part of the mandatory disclosure under the Pillar 3 regulation**. Since Pillar 3 only contains on-balance sheet exposures, off-balance sheet exposures are generally not disclosed and not considered when measuring the carbon footprint of players. Where only Pillar 3 information was available, the following sectors were considered: oil and gas extraction; manufacture of coke and refined petroleum products; manufacture of gas and distribution of gaseous fuels by pipeline; exposure to electricity generation, transmission and distribution companies excluded from the Paris-Aligned Benchmarks; exposure to electricity generation companies excluded from the Paris-Aligned Benchmarks. For the latter, it should be noted that while some companies explicitly define companies excluded from the Paris-Aligned Benchmarks, most do not. Therefore, the study assumes that the amount considered excluded from the Paris-Aligned Benchmarks corresponds to companies generating electricity from fossil fuels.

A comparison with 2022 figures shows that **16 of the European banks covered by this study (84%) have allocated new financing to oil and gas-related companies, without this funding being conditioned a priori by, in particular, the analysis of a credible and robust transition plan.**

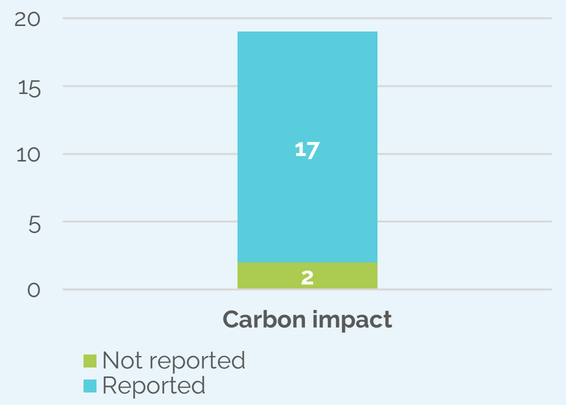

Figure 16. Banks' transparency regarding carbon impact linked to oil and gas financing

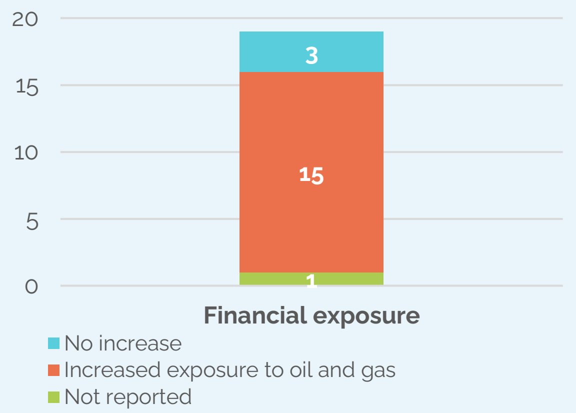

Figure 17. Banks' transparency regarding financial exposure to oil and gas

On average, banks' exposure to hydrocarbons represents 2.31% of their total gross book value. For the least exposed bank, assets related to coal, oil and gas represent 0.01% of its assets, while the most exposed has a financial exposure of 4.5% to fossil fuels.

[36] This amount reflects the financed emissions related to oil and gas, as communicated by the banks as part of the interim targets. However, for some banks, there are differences in scope (financial, value chain, scopes) between that used to define these targets and that used to estimate overall financed emissions at entity level (see 3.5.). As a result, the financed emissions (related to oil and gas) used to calculate overall financed emissions differ from the financed emissions used to monitor the interim targets.

[37] It should also be noted that this amount includes the financed oil and gas emissions of Crédit Suisse, acquired by UBS AG. For other data communicated, in particular total financed emissions (see 3.5.), UBS AG has not included Crédit Suisse's figures

Net-Zero Donut indicators used for section 3.4.

Value chain covered

- **2705:** Description of oil and gas value chain activities integrated within the policy scope (txt)
- **2708:** The actor has an unconventional hydrocarbon policy (Y/N)

Fossil fuels exposure

- **6129:** The actor publishes its greenhouse gas emissions linked to the coal sector (Y/N)
- **6130:** Greenhouse gas emissions of the actor linked to the coal sector (nb)
- **6131:** Amount of investments in thermal coal during the last financial year (in €m) (nb)
- **6133:** Greenhouse gas emissions of the actor linked to the oil and gas sector (nb)
- **6135:** Amount of the actor's investments in the oil and gas sector (nb)
- **6136:** Share of the actor's total assets invested in hydrocarbons (%)

3.5. Financed greenhouse gas emissions

i. Emissions calculation practices

Reporting on financed emissions is a key transparency measure and can be broken down in many ways (gross value, by emissions scope, by business sector, by asset class, etc.). However, 3 banks in the scope (16%) do not publish their financed emissions in any way. In terms of the methodology used for carbon accounting, the banks that publish their emissions (16 banks, 84% of them) use the PCAF methodology and thus the GHG Protocol, either directly or through internal calculation methods. However, it is important to emphasise that despite the widespread use of this methodology, carbon accounting remains a subjective exercise for financial actors. In fact, this is based above all on the reliability of the extra-financial reporting of the companies they finance, the methodologies of which vary[38]. Similarly, the amounts ultimately allocated to financial institutions vary depending on the allocation factor used (depending on share price, or company turnover). Finally, the differences in scopes and the multiple counts that may result must be considered, since a company's direct emissions will be accounted in scope 3 of other actors upstream and downstream of its value chain. Scope 3 is not yet granular enough to prevent multiple counting which must therefore be anticipated when processing the financed emissions of financial actors.

That being said, the methods used by banks to report their financed emissions vary. A large majority of banks (16 banks, 84%) report their financed emissions by sector of activity, in particular for carbon-intensive sectors. These sectoral emissions are expressed in terms of physical intensity metrics, such as tonnes of CO_2 equivalent per MWh produced for power generation, tonnes of CO_2 equivalent per tonne of cement produced for cement, or tonnes of CO_2 equivalent per square metre for real estate.

But physical intensity is not the only way of contextualising emissions, a smaller proportion of banks (7 banks, 37%) choose to publish their financed emissions in monetary intensity, i.e. in tonnes of CO_2 equivalent per million euros invested.

The emissions scope of the underlying assets is also important in understanding banks' financed emissions. The difference between direct emissions (scope 1 and 2) and indirect emissions (scope 3) can be major for certain sectors (including finance), and **the integration of the three scopes is not a systematic practice among financial players. In fact, only 3 banks (16%) communicate their financed emissions by integrating the full scopes 1, 2 and 3 of their underlying assets**. 12 banks (63%) use partial emissions data (scope 1 & 2 or partial scope 1, 2 and 3), and 1 (5%) does not detail the scopes considered in its methodology.

[38] Voir Greenpeace – Bilan carbone de TotalEnergies : révélations

ii. Greenhouse gas emissions

These choices are reflected in the final emissions totals reported by the banks. This can make it difficult to compare two financial institutions with different practices.

However, by aggregating the emissions data, we can observe some interesting orders of magnitude. **Of the 19 banks studied, 16 (84%) published their absolute emissions in tCO2e for scopes 1, 2 and 3, including their financed emission**, on a scope rarely including emissions attributable to off-balance sheet activities.

According to their latest declarations, their indirect emissions (scope 3) amounted to around 60 MtCO2e and their direct emissions to around 0.2 MtCO2e on average, or 0.38% of their total emissions, illustrating the logically unbalanced balance of power between direct and indirect emissions in the financial sector. A great part of these scope 3 emissions come from scope 3.15 financed emissions (around 99% of banks' scope 3 emissions).

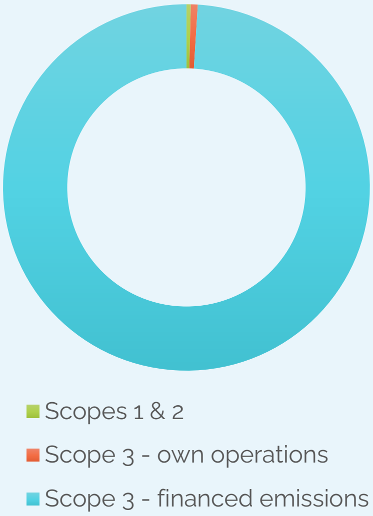

Figure 18. Banks' GHG emissions by scopes

iii. Use of carbon offsetting

In order to project their emissions on a trajectory consistent with their targets, financial institutions are in some cases resorting to carbon offsetting. 6 banks (32%) are in fact offsetting their GHG emissions or planning to do so. However, they do contextualise the use of this offsetting, with 5 of the 6 banks specifying that these offsets would be additional to the efforts made to reduce their GHG emissions in accordance with the scenarios identified for their interim targets and would therefore not replace an actual reduction in their direct and indirect emissions. As a reminder, ADEME identifies 5 rules for the proper use of carbon offsetting,

'6 banks are offsetting their GHG emissions or planning to do so.'

Net-Zero Donut indicators used for section 3.5.

Methodology

- **4701:** The actor publishes its financed emissions (Y/N)
- **4702:** Recognized methodology used by the actor to calculate its carbon footprint (txt)
- **4705:** The calculation of the actor's financed emissions is carried out using emissions from all scopes of the assets in the portfolio (Y/N)

Emissions data details

- **6122:** The actor publishes its financed emissions in monetary intensity (Y/N)
- **6124:** Emissions from high impact sectors are published separately (oil and gas, mining, transport, building construction, materials and industry) (Y/N)
- **6125:** The actor publishes its emissions in physical intensity by sector (Y/N)

Carbon offsetting

- **2801:** The actor plans to offset its emissions in pursuit of its intermediate and final objectives (Y/N)
- **2802:** The planned compensation envisaged is additional: it does not replace a possible reduction in the actor's emissions (Y/N)

Emissions

- **6120:** Sum of absolute direct and indirect emissions of the actor (in tCO2e) (nb)
- **6121:** Absolute scope 3 emissions of the actor (in tCO2e) (nb)

including the publication of a report on greenhouse gas emissions, reductions and offsets used in order to ensure the additionality of these offsets.

3.6. Engagement

i. With portfolio companies

In sustainable finance, the exclusion mechanism is formally implemented across all banks, which establish thresholds and exclusion criteria within sectoral policies applied to their activities (primarily concerning coal, oil, and gas). The engagement mechanism is not as widely adopted.

While most banks have identified some engagement actions, particularly in the case of companies belonging to sectors for which they have set an interim carbon emission reduction target, **most of them have not formalised this approach by defining an engagement policy**. 13 banks are in this situation, while 6 can be considered better structured in this regard, as they have at least either enshrined an engagement process in their sector policies or defined an engagement strategy in their ESG report.

Engagement actions take the form of one-on-one dialogue and advice on transition issues (ESG criteria integration, energy efficiency, etc.). They also take the form of dedicated financing for green projects, to help clients advance their transition goals. And **for 5 banks, this is based on a prior review of the company's carbon footprint and their transition plan**. The actors affirm that such a review is done according to multiple criteria such as companies' carbon footprint and emission reduction targets, carbon transparency, the investment plan accompanying the transition plan, the integration of climate risks, governance, etc. It should be noted that some banks activate their engagement and transition plan assessment process only for the most emitting sectors. Others adopt an approach of categorising / prioritising companies according to the carbon impact and the ambition of the decarbonisation strategy of these companies, an approach allowing them to target their engagement process.

However, no bank has yet systematised this approach for all financed companies. None of the banks analysed has an engagement policy that covers all financed sectors, or at least a published prioritisation strategy covering all companies with a high climate impact. In fact, most of the banks that have defined an engagement process have done so for companies linked to fossil fuels. For other sectors, there is no clear process, but rather an identification of possible areas for action.

For 12 banks, **the lack of engagement policies also translates into a lack of a formalised escalation process**, in the event that a portfolio company does not comply with established sector policies. For the rest, an escalation strategy has been defined, but with different intermediate steps depending on the bank: 4 banks identify engagement as a step before divestment, 2 banks go further by identifying sanctions depending on companies' delay in their transition. For one bank, these sanctions take the form of differentiated treatment, a differentiated financing agreement, depending on the company's exposure to fossil fuels, for example by allowing a company with a high level of exposure to only access financing for green projects. In this case, it should be emphasised that the overall impact on the contribution is uncertain to the extent that the granting of this financing frees up the company's capacity to finance in another way, or self-finance, projects that are contrary to climate neutrality target.

'The lack of engagement policies also translates into a lack of a formalised escalation process.'

Furthermore, although some banks declare that they are taking steps to engage with the companies they finance, there is a lack of transparency regarding the actions actually implemented**:** no bank clearly communicates either the concrete actions taken or the results of this approach. Only one bank has a quantified interim commitment target, newly set for 2023. **For the time being, none of the banks has any public monitoring of their engagement actions, either in an independent engagement report or as part of their ESG report.**

ii. With other actors in the ecosystem

In terms of engagement with actors in the ecosystem, other than the financed companies, several banks report participating in working groups and being members of engagement initiatives and alliances, including of course the NZBA alliance. All the banks, with the exception of one, specified their involvement in working groups with peers: for 12 banks, this involvement is prolific, and leads to publications or to the development of practices and standards guiding the establishment of interim sectoral decarbonisation targets, as well as the achievement of these targets.

In addition to engaging with their peers through working groups, six banks have taken a leading role in developing standards for financial industry alignment by founding or co-leading working groups such as the Aviation Climate-Aligned Finance (CAF), Aluminium Climate-Aligned Finance or Sustainable Steel Principles working groups.

In addition, some banks engage with the government and report being attentive to criticism that may arise from civil society. This mainly involves dialogue between management and government representatives (14 banks) or a review and response to public consultations of bodies regulating sustainable finance (8 banks), as well as taking into account NGO recommendations (9 banks).

Net-Zero Donut indicators used for section 3.6.

Engagement avec les entreprises financées

- **3101:** The actor has an engagement policy (Y/N)
- **3102:** The actor has an exclusion policy (Y/N)
- **3103:** Steps of escalation policy (txt)
- **3201:** Levers of engagement of portfolio companies identified by the actor in its engagement policy (txt)
- **3202:** Description of the actor's activities and initiatives to help the transition of actors dependent on fossil fuels (txt)
- **3203:** Details of specific measures taken by the actor in the case of sectors with high emissions potential (energy, transport, cement, etc.) (txt)
- **6109:** The actor publishes an annual engagement report (Y/N)

Engagement avec les autres acteurs de l'écosystème

- **3301:** The actor takes part in working groups with its peers aiming to advance sustainability practices in line with its own intermediate targets
- **6117:** The actor details its engagement actions towards its peers (engagement between management companies, between banks, between insurers) (txt)
- **3401:** Engagement strategy with public authorities (txt)

3.7. Governance and internal resources deployed

i. Bodies responsible for NZBA commitment

'53% of banks identify their Board of Directors as directly responsible for transition plans'

Governance practices are fairly harmonised in terms of climate responsibility. 10 banks (53%) identify their Boards of Directors as directly responsible for the proper implementation of transition plans designed to achieve the interim targets defined, while the other 9 (47%) delegate this responsibility to dedicated committees that may include members of the Board of Directors.

The frequency with which these committees meet varies, from once a year to almost twice a month from one bank to another. Although this frequency indicator has its limitations (no guarantee as to the quality/efficiency of the exchanges), it does provide an objective measure of the time dedicated to the overview of targets application.

ii. Indexed remuneration

A large majority of banks (17 banks, 89%) state that they index part of their executives' variable remuneration to climate performance during the last financial year. This climate criteria may be included in its own right, or as part of a broader set of ESG considerations. However, the triggers for these remunerations are not specified overall, and are conditional on the banks achieving their general objectives. More granular information would provide a better understanding of how serious the players are about their climate ambitions, and their confidence in their ability to achieve them.

However, only a small proportion (14 banks, 74%) publishes the share of this criteria in their overall variable remuneration. This varies between 5% and 25% of the variable remuneration, with an average of 12%.

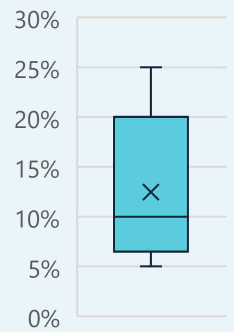

Figure 19. Share of climate-related criteria in Executives' variable remuneration

iii. Staff training

All the banks included in this analysis organise climate change training for their staff. However, only a small number of them offer them on an annual basis (4 banks, 21%). These training sessions allow a minimum level of competence to be achieved in different positions in the actors' organisational chart and can be accompanied by in-depth modules to identify ESG experts. This is the case for three banks (16%) whose experts are not necessarily dedicated to climate, but to a broader range of ESG issues.

Some of them (6 banks, 32%) have different training programmes for senior management than for operational teams. These specific programmes take the form of more frequent training than for the rest of the staff, on a wider range of topics, in order to keep up to date with the sustainability issues of their activities. Among the banks analysed, we can cite**:**

- Training on climate scenarios including a focus on regulatory expectations and first and second-order climate risks,
- Training on "outside-in" perceptions led by academic experts coupled with an introduction to social and just transition risks,
- Training led by external experts on regulatory expectations for climate risk management, how to understand the ESG data market, an introduction to emerging ESG issues, a session dedicated to the dependencies of the bancassurance sector.

It is important to remember that training, although important, does not replace concrete actions to support the pursuit of interim targets defined by financial institutions. However, it can contribute to raising awareness within the bank and build skills in key areas (analysis of transition plans, risk management, identification of clients' extra-financial aspirations, particularly individual customers), provided that it is carried out by external experts based on the latest scientific data available and is linked to the daily challenges of the people trained.

Net-Zero Donut indicators used for section 3.7.

Organes de gouvernance responsables

- **5101:** Governance body responsible for overseeing the actor's transition plan (txt)
- **5102:** How often does this governance body discuss progress on the climate plan? (txt)

Rémunération indexée

- **5104:** Executive remuneration is at least partially indexed to the actor's climate performance (Y/N)
- **5105:** Share of executive remuneration indexed to the actor's climate performance (%)

Formation du personnel

- **5201:** The actor conducts internal climate training sessions (Y/N)
- **5202:** Frequency of renewal of internal climate training (txt)
- **5204:** The training provided to the actor's decision-makers is different from the rest of the employees (Y/N)
- **5205:** Summary of training provided to the board of directors, if different from that administered to the rest of the employees (txt)
- **5208:** How many of the actor's staff are dedicated to climate issues / are climate experts (nb)

4. Limits and projections

4.1. Limitations of the study

i. Limit linked to the scope

The scope of the banks studied by the Net-Zero Donut has been broadened in 2024 (19 European banks compared with 7 French banks in 2023), but it remains limited by stopping at the European borders. Expanding the scope to include financial institutions outside Europe that are signatories to the NZBA would enable a more detailed comparison of the different regions of the world.

ii. Limit linked to data collection

The Net-Zero Donut data is collected by people, as in 2023. This method of collection allows for a high level of granularity in the analysis, based in particular on qualitative data, reflecting an external view of European banks' decarbonisation plans. As the Observatory bases its analyses on a large number of documents (an average of around 7 public documents per bank), the resulting data is broadly representative of players' practices. However, we are aware of the wide variety of data reported by banks and that their net-zero donuts may not reflect all their practices. To reflect this limitation, indicators for which we were unable to find data are reported as 'not found' rather than 'not reported' or 'not available'. We invite stakeholders to contact the Observatory to analyse their transition plans in more detail.

4.2. Projections

The Observatory recognises the methodological limitations faced by financial institutions that are signatories to net-zero alliances, and the difficulty for alliances to define ambitious frameworks that are adapted to the challenges faced by signatories. Financial institutions can demonstrate good will, as evidenced by the results of the NZBA members' vote on changes to its framework that will introduce reporting of emissions attributable to facilitating certain capital market activities, as well as clarifying the definitions and scope of terms used since its inception in 2021.[39]

However, this desire for progress does not allow us to meet all the criteria of the Net-Zero Donut indicator grid, which has a variable data availability rate between the banks in the scope (see 3.2). Although some of the data collected in this framework is regulatory, the majority is based on voluntary standards that financial actors may or may not choose to comply with. The Net-Zero Donut is intended as a reference framework for these different regulatory and voluntary expectations in the context of the targets set by financial institutions and the resulting transition plans.

The Observatory will continue to deepen its framework with the support of the Scientific Committee in order to respond to the need for standardisation of climate data in the financial sector.

All data used in this report are available on the Observatory website and on request **contact@sustainablefinanceobservatory.org**.

The Net-Zero Donut on the Observatory website allows for a comparison of the underlying data of the financial institutions, and to visually compare the Net-Zero Donuts by actor, by region (France and the rest of Europe) and by topic.

[39] NZBA - Net-Zero Banking Alliance 2024 Progress Report

5. Appendix

5.1. Appendix 1 – Net-Zero Donut external sources

Source	Document	Link
ACT	ADEME ACT Finance (2023) – ADEME. Assessing low-Carbon Transition. Investors and Assessing Low-Carbon Transition. Banks. Investors.	https://actinitiative.org/act-finance-la-methodologie-pour-le-secteur-financier/
Carbone 4	Net Zero Initiative - Un Référentiel Pour Une Neutralité Carbone Collective	https://www.carbone4.com/files/wp-content/uploads/2020/04/Carbone-4-Referentiel-NZI-avril-2020.pdf
TCFD	TCFD – Task Force on Climate-related Financial Disclosures. Guidance on Metrics, Targets, and Transition Plans	https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf
PCAF	PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition.	https://ghgprotocol.org/sites/default/files/2023-03/The%20Global%20GHG%20Accounting%20and%20Reporting%20Standard%20for%20the%20Financial%20Industry.pdf
SBTi	SBTi FINANCIAL INSTITUTIONS' NEAR-TERM CRITERIA Version 2.0 May 2024	https://sciencebasedtargets.org/resources/files/Financial-Institutions-Near-Term-Criteria.pdf
CA100+	CA100+ – Climate Action 100+. Net Zero Company Benchmark	https://www.climateaction100.org/wp-content/uploads/2023/10/CA100-Benchmark-2.0-Disclosure-Framework-Methodology-Confidential-October-2023.pdf
ISO	ISO Net Zero – ISO IWA 42-2022. Net Zero Guidelines. Accelerating the Transition to Net Zero	https://www.iso.org/obp/ui/en/#iso:std:iso:iwa:42:ed-1:v1:en
IFRS	IFRS ISSB S2 – ISSB IFRS® Sustainability Disclosure Standard. IFRS S2 Climate-related Disclosures	https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/
ESRS	EFRAG ESRS E1 – EFRAG European Sustainability Reporting Standards. E1 Climate change	https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/08%20Draft%20ESRS%20E1%20Climate%20Change%20November%202022.pdf
HLEG	HLEG - Implementing the recommendations of the High-level Expert Group's report "Integrity Matters"	https://www.un.org/en/climatechange/high-level-expert-group
GCEL	Methodology of the Global Coal Exit List (GCEL)	https://www.coalexit.org/sites/default/files/download_public/Methodology%20GCEL_2022_download.pdf
29LEC	Guide pédagogique - Décret d'application de l'article 29 de la Loi énergie-climat	https://www.tresor.economie.gouv.fr/Articles/9dda8d8c-85c4-4d74-ba6b-186f3fad4e79/files/f242d996-f393-4c11-b084-a3a627a44cf1
NZAM	The Net Zero Asset Managers Commitment	https://www.netzeroassetmanagers.org/commitment/
NZAOA	NZAOA Target setting protocol - Fourth edition	https://www.unepfi.org/wordpress/wp-content/uploads/2024/04/NZAOA-TSP4_FINAL.pdf
NZBA	NZBA Guidelines for Climate Target Setting for Banks	https://www.unepfi.org/wordpress/wp-content/uploads/2024/03/Guidelines-for-Climate-Target-Setting-for-Banks-Version-2.pdf
NZTP	GFANZ – Glasgow Financial Alliance for Net Zero. Financial Institution Net-zero Transition Plans. Fundamentals, Recommendations, and Guidance	https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
NZTP supp.	GFANZ - Scaling Transition Finance and Real-economy Decarbonization	https://assets.bbhub.io/company/sites/63/2023/11/Transition-Finance-and-Real-Economy-Decarbonization-December-2023.pdf
OBS	Observatoire - Recommendations Of The Scientific And Expert Committee On Fossil Fuels	https://observatoiredelafinancedurable.com/documents/137/Publication_of_recommendations_n4_about_Fossil_Fuel_Indicators_VE.pdf

5.2. Appendix 2 – Scope of the study

The Net-Zero Donut 2024 analyses the transition plans and transparency practices of 47 financial institutions: 19 banks, 15 asset managers, and 13 institutional investors.

This report takes a detailed look at the Net-Zero Donut data from the following 19 banks.

Banks	Country	Date of membership	Assets (billion)[40]	Unit
BNP Paribas	France	2021	2 591,50	€ Bn
Crédit Agricole	France	2021	2 189,40	€ Bn
Crédit Mutuel Alliance Fédérale	France	2021	719,49	€ Bn
Crédit Mutuel Arkea	France	2022	191,63	€ Bn
Groupe BPCE	France	2021	1 544,14	€ Bn
HSBC Group	UK	2021	2 749,09	€ Bn
La Banque Postale	France	2021	738,15	€ Bn
Société Générale	France	2021	1 554,05	€ Bn
Banco Santander	Espagne	2021	1 797,06	€ Bn
Barclays	UK	2021	1 702,61	€ Bn
Deutsche Bank	Allemagne	2021	1 312,33	€ Bn
Intesa Sanpaolo	Italie	2021	963,57	€ Bn
UBS	Suisse	2021	1 553,59	€ Bn
Lloyds Banking Group	UK	2021	1 015,76	€ Bn
UniCredit	Italie	2021	784,97	€ Bn
ING	Pays-Bas	2021	980,30	€ Bn
NatWest	UK	2021	798,21	€ Bn
Standard Chartered	UK	2021	744,43	€ Bn
BBVA	Spain	2021	775,56	€ Bn

[40] Data on banks' balance sheet assets, taken from S&P Capital IQ

5.3. Appendix 3 – Net-Zero Donut framework

For ease of reading, each indicator in the Net Zero Donut is linked to a climate theme, which is linked to pillars inspired by the GFANZ Net Zero Transition Plan. In blue are the **categories added by the Observatory** to complete the framework.

This framework is as shown below. It is also detailed in the Net-Zero Donut 2024 methodology document.[41]

Pillars	Categories	Description
Foundations	Objectives and priorities	Net-Zero ambition of the actor and important parameters of the general objective
	Perimeters used	Scopes to which the stated ambition applies (financial activities, sectors of activity, asset classes)
	Statements	Positions taken in line with the ambition displayed
	Targets redefinition process	Process of redefinition of objectives applicable in the event of a shock jeopardizing the achievement of the formulated objectives
Metrics and targets	Targets	Indicators common to intermediate objectives
	Alignment targets	Specificities of intermediate alignment objectives
	Financing targets	Specificities of intermediate financing/investment objectives
	Absolute decarbonization targets	Specificities of the intermediate absolute decarbonization objectives
	Relative decarbonization targets	Specificities of the intermediate relative decarbonization objectives
	Sectoral targets	Specificities of the sectoral intermediate objectives
	Engagement targets	Specificities of intermediate engagement objectives
	Emissions	Greenhouse gas emissions metrics
	Avoided emissions	Avoided emissions metrics
	facilitated emissions	Facilitated emissions metrics
Implementation Strategy	Products and services	Adaptation of the product and service offering in line with ambitions
	Activities and decision-making	Tools and methodologies to adapt decision-making according to objectives
	Risk management	Internal climate risk management

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	Financial planification	Financial planning linked to the formulated objectives
	General policies	General Policies
	Coal policy	thermal coal policy
	Oil & Gas policy	oil and gas policy
	Carbon compensation	Conditions in which carbon offsetting could support the formulated objectives
Engagement Strategy	Broad engagement	Actor Escalation Policy
	Engagement with clients and portfolio companies	Vote, resolution proposal, direct engagement, collective engagement
	Engagement with industry	Engagement strategy with other financial institutions
	Engagement with government and public sector	Public Sector Engagement Strategy
Governance	Roles, responsibilities, and remuneration	Roles, responsibilities and compensation
	Skills and culture	Existing skills, internal events, training
Performance/measurement	Measurement of key values identified	Emissions, engagement, alignment
	Coherence with targets set	Evolution of metrics in accordance with the objectives set

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Authors: **Chau Anh Nguyen** and **Raphaël Tran**

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Sustainable finance observatory

Hosted by the Paris Agreement Research Commons (PARC) foundation of the Louis Bachelier Institute network

28 place de la Bourse 75002 Paris France

contact@sustainablefinanceobservatory.org

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