

The GLOBAL GHG ACCOUNTING & REPORTING Standard

FOR THE FINANCIAL INDUSTRY

EXECUTIVE SUMMARY



PCAF

Partnership for
Carbon Accounting
Financials



Executive summary

The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative. Created in 2015 by Dutch financial institutions, PCAF extended to North America in 2018, and scaled up globally in 2019. PCAF helps financial institutions assess and disclose the greenhouse gas (GHG) emissions from their loans and investments through GHG accounting.

GHG accounting enables financial institutions to disclose these emissions at a fixed point in time and in line with financial accounting periods. Measuring financed emissions allows financial institutions to make transparent climate disclosures on their GHG emissions exposure, identify climate-related transition risks and opportunities, and set the baseline emissions for target setting in alignment with the Paris Agreement.

Until now, there has not been a globally accepted standard for the measurement and disclosure of financed emissions. The absence of harmonized methodologies and reporting rules has led to the poor uptake of the accounting of financed emissions and inconsistent disclosures across financial institutions.

Responding to industry demand for a global, standardized GHG accounting approach, PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry (the Standard). This Standard has been reviewed by the GHG Protocol and conforms with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities.

The Standard provides detailed methodological guidance for asset classes. Widely tested by banks and investors, these methods assist in the measurement and disclosure of GHG emissions associated with six asset classes:



Listed equity and corporate bonds



Business loans and unlisted equity



Project finance



Commercial real estate



Mortgages



Motor vehicle loans

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

2011



PCAF founded by
Dutch financial
institutions

2015



PCAF launched in
North America

2018



PCAF published 2 reports on
GHG accounting methods

2019



PCAF launched globally

2019



PCAF launches Global GHG
Accounting and Reporting Standard
for the Financial Industry

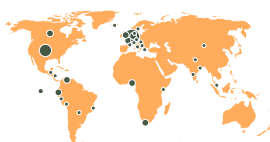
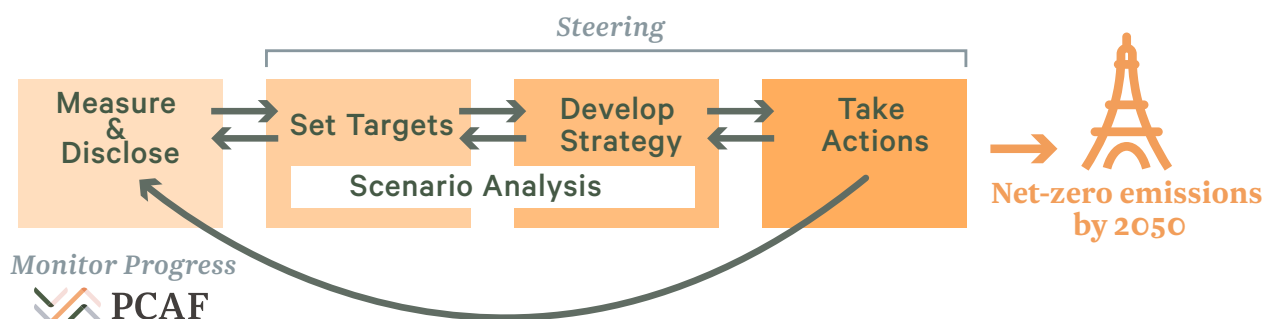
2020



The GLOBAL GHG ACCOUNTING & REPORTING Standard

FOR THE FINANCIAL INDUSTRY

Using the Standard is the first step in the journey
to align with the Paris Agreement



Over 85 financial institutions,
with over \$ 17 Trillion in financial assets
committed (November 2020).



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

Listed Equity and Corporate Bonds

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

EVIC = enterprise value including cash

Business Loans and Unlisted Equity

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

EVIC = enterprise value including cash

Project Finance

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

GHG accounting for six asset classes

Commercial Real Estate

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

Mortgages

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

Motor Vehicle Loans

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


Partnership for
Carbon Accounting
Financials

The Partnership for Carbon Accounting Financials (PCAF) is an
industry-led initiative enabling financial institutions to measure and
disclose greenhouse gas (GHG) emissions of loans and investments.

The Standard provides detailed guidance for each asset class to calculate the financed emissions resulting from activities in the real economy that are financed through lending and investment portfolios. Emissions are attributed to financial institutions based on robust, consistent accounting rules specific to each asset class. By following the methodologies for each, financial institutions can measure GHG emissions for each asset class and produce disclosures that are consistent, comparable, reliable, and clear.

Limited data is often the main challenge in calculating financed emissions; however, data limitations should not deter financial institutions from starting their GHG accounting journeys. Beginning with estimated or proxy data can help identify carbon-intensive hotspots in lending and investment portfolios. The Standard provides guidance on data quality scoring per asset class, facilitating data transparency and encouraging improvements to data quality in the medium and long term. The Standard also provides recommendations and requirements for disclosures, which include a minimum disclosure threshold with flexibility to report beyond this level. Any requirements not fulfilled must be accompanied by an explanation.

Using this Standard equips financial institutions with standardized, robust methods to measure financed emissions and enables them to:

- Assess climate-related risks in line with the Task Force on Climate-related Financial Disclosures (TCFD).
 - Set science-based targets (SBTs) using methods developed by the Science Based Targets initiative.
 - Report to stakeholders like the Carbon Disclosure Project (CDP).
 - Inform climate strategies and actions to develop innovative products that support the transition toward a net-zero emissions economy.
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This Standard was developed by a core team of 16 leading financial institutions:



FirstRand





PCAF

Partnership for
Carbon Accounting
Financials

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Watch back the recorded virtual launch event of the Standard on 18 November 2020, including:

Frank Elderson (De Nederlandsche Bank & NGFS)

Jellie Banga (Triodos Bank)

Lauren Compere (Boston Common Asset Management)

Matt Slovik (Morgan Stanley)

Bhulesh Singh (FirstRand Group Ltd)

Patricia Atkinson (IKEA Foundation)

The Partnership for Carbon Accounting Financials is led
by 8 financial institutions forming the Steering Committee:



Morgan Stanley



Triodos Bank

forthcoming representative of the
**UN-convened
Net-Zero Asset
Owner Alliance**